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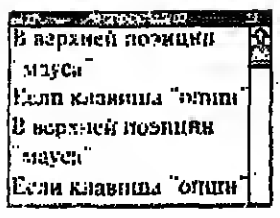

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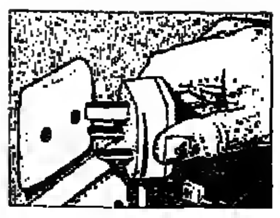
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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY OCTOBER 14 1993 | D8523A

US group poised to buy stake in Lloyd's agency

A group of leading US financial institutions is poised to acquire a substantial stake in a leading Lloyd's underwriting agency, a subsidiary of the Merrett Group, in a significant innovation for the insurance market. The group said it had approached Lloyd's with an outline plan to transfer its underwriting business to a new agency, in which J.P. Morgan, the investment bank, and Marsh & McLennan Risk Capital, a subsidiary of the world's biggest insurance broker, Merrett employees and other investors would own stakes. Page 8

EC to propose tariff cuts: The European Community is to propose cuts in tariff protection for manufactured goods in an attempt to break the deadlock in talks on world trade reforms. Page 14; US Congress attacks copyright curbs, Page 5

Double blow for UK recovery: Britain's hopes of sustained, non-inflationary recovery were dealt a double blow with news of a fall in manufacturing output over the summer and a higher than expected rise in retail prices last month. Page 14; Lex, Page 14; London shares, Page 27; Currencies, Page 34

First charges against Moscow rebel: The Russian prosecutor-general produced the first charges against leaders of parliament's armed rebellion when hardliner General Albert Makashov was charged with organising mass disturbances. Meanwhile, more than 90 organisations have registered to take part in Russian elections due on December 12, although observers expect parliament to be dominated by a few blocs. President Boris Yeltsin flatly ruled out simultaneous parliamentary and presidential elections, Page 3

Kohl appeals against protectionism: German chancellor Helmut Kohl appealed against protectionism to the French Senate, just as French prime minister Edouard Balladur was refining a minimalist approach to the Gatt talks before the other branch of the French legislature. Page 14

Less independent Fed 'a mistake': Attempts by the US Congress to reduce the independence of the US Federal Reserve would be a "major mistake," Alan Greenspan, the Fed chairman, warned, after proposals by a congressional committee to make regional Fed presidents political appointees. Page 6

Beijing warns on Hong Kong: Lu Ping, China's top official on Hong Kong, said failure to resolve differences with Britain over the colony's future would threaten its economy. Page 4

Woolworth, the US retailer, announced a $480m after-tax charge against third quarter earnings to cover restructuring which includes closing about 10 per cent of its stores and cutting its workforce by about 9 per cent or 13,000 jobs. Page 15

German markets merger cut back: Plans for a full-scale merger of the German derivatives market with the market for German equities and fixed interest securities have been scaled back. Page 15

Morgan Grenfell, the UK merchant bank, has recruited about 20 equity traders, analysts and sales staff from rival James Capel to beef up its developing country debt and bond operations. Page 15

Search for new Groupe Bull head: The French government is searching for a replacement for Bernard Pache, chairman and chief executive of Groupe Bull, the lossmaking computer manufacturer, according to sources close to the company. Page 15

Polish leftwing coalition: Two of Poland's parties with their roots in the communist past intend to form a coalition government following elections which failed to produce an outright winner. The Left Democratic Alliance and the Polish Peasant party together control 303 seats in the 460-member parliament. Page 3

Klöckner-Werke steel mill talks: A buyer for the integrated steel mill of Klöckner-Werke, the ailing German ateel group, is being sought by Bremen, the German city-state. Sidma, a subsidiary of the Arbed steelmaker in Luxembourg, is among the domestic and international steel companies taking part in talks. Page 16

■ STOCK MARKET INDICES		
FT-SE 100:	3,080.9	(-13.8)
Yield	3.81	
FT-SE Eurotrack 100	1317.05	(+1.14)
FT-A All-Share	1526.24	(-0.4%)
Nikkei	20,038.40	(-98.91)
New York: lunchtime		
Dow Jones Ind Ave	3,601.23	(+8.1)
S&P Composite	461.06	(-0.06)
■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	3.065%	
Long Bond	104 13/32	
Yield	5.915%	
■ LONDON MONEY		
3-mo Interbank	5 7/32	(same)
Liffe long gilt future:	Dec 114 5/32	(Dec114 13/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$17.23	(17.375)
■ Gold		
New York Comex (Dec)	$367.6	(369.2)
London	$366.75	(361.15)

■ STERLING		
New York lunchtime:		
$	1.52275	
London:		
$	1.5225	(1.532)
DM	2.4425	(2.445)
FFr	8.6175	(8.5875)
SFr	2.14	(2.145)
Y	161.5	(162.25)
£ Index	80.4	(80.6)
■ DOLLAR		
New York lunchtime:		
DM	1.603	
FFr	5.68	
SFr	1.40575	
Y	106.005	
London:		
DM	1.6035	(1.596)
FFr	5.68	(5.605)
SFr	1.406	(1.4005)
Y	106.0	(105.95
$ Index	64.7	(64.5)
Tokyo close Y 105.75		

						Qatar	QR12.00
Austria	Sch30	Greece	Dr300	Lux	LFr65	S.Arabia	SR11
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh13	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	South Africa	R12.00
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	Spain	Pta210
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Jordan	JD1.60	Philippines	Pso45	Tunisia	Din1.250
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L8000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

Papandreou halts Greece's telecoms privatisation

By Kerin Hope in Athens and Maggie Urry in London

THE NEW Greek Socialist government yesterday announced it would cancel the partial privatisation of the telecommunications company OTE, raising fears about the future of other sell-offs planned by the former conservative government.

Mr Andreas Papandreou, whose Panhellenic Socialist Movement was returned to power in Sunday's general election, made the announcement on television at the start of his new cabinet's first meeting. Mr Papandreou had claimed during the election campaign that Pasok was now committed to co-operating with the private sector and to further liberalising Greece's financial markets.

The previous conservative government had also earmarked two state-owned oil refineries for sale this year although plans were only at an early stage. A series of commercial plans, including the award of new casino licences and several development projects are also now in doubt.

The telecommunications law, passed two months ago, provided for the sale of 49 per cent of OTE. Negotiations started earlier this year with six international operators shortlisted to buy a strategic 35 per cent stake in the company.

Preparations were also under way to float OTE on the Athens stock exchange with the sale of 10 per cent of the company to the public and 4 per cent to employees.

A group of international merchant banks, including Credit Suisse, First Boston, J. Henry Schroder Wagg and N.M. Rothschild, Morgan Stanley and Paribas Capital Markets, were handling the flotation. CSFB was also advising on the strategic sale.

Pasok sources said agreements with several foreign merchant banks were being terminated.

Mr Gerry Grimstone, a corporate finance director at J. Henry Schroder Wagg, the merchant bank which had been appointed to handle the offer to the public of shares in OTE, said the bank had not yet received instructions from the Greek government.

However, Mr Evricos Sarsentis, a Greek analyst at J. Henry Schroder Wagg, said Schroder hoped the flotation would still go ahead.

Neither Schroders nor N.M. Rothschild, which has been advising the Greek government on the privatisation programme as a whole, are expected to sue the government for breaking their contracts. One banker said: "It is all part of the rich tapestry of investment banking".

Schroders and other advisers have already done a lot of work on the OTE deal, which was originally planned for November, although it had been hitting delays before the election. The proposed sale was fiercely opposed by the OTE union and by local suppliers of telecoms equipment, whn feared they would be squeezed out by competition from abroad once an international operator took over management of the company.

The new prime minister has announced his intention of giving a cabinet post to Mr Dimitris Tsovolas, finance minister during Pasok's last term, who was convicted last year by a special court

Continued on Page 14

Bell Atlantic to buy US cable company for $18bn

Deal with TCI set to transform telecommunications industry

By Martin Dickson in New York

BELL ATLANTIC, the US regional telephone group, yesterday announced an agreement to huy Tele-Communications Inc, the largest American cable television company, for up to $18bn in a deal which will radically change the US communications industry. It will also be one of the country's biggest ever takeovers.

The deal – which is bound to face strong regulatory scrutiny – would be the first full merger between a US telephone company and a cable business at a time when the two industries are converging to create a single, multimedia inter-active entertainment and information business.

Bell Atlantic, the telecommunications group serving the middle part of America's eastern seaboard, has been one of the most aggressive telephone companies trying to enter the video industry.

TCI, based in Denver, has been built up by Mr John Malone, its chief executive, over the past 20 years into a company serving some 20 per cent of cable homes.

The share swap deal would also includa Liberty Media, a cahle programming company which TCI spun off in 1991. It announced plans to re-acquire the business last Friday.

Yesterday's pact could have implications for the current takeover battle for entertainment group Paramount Communicatinns.

Liberty Media is an important shareholder in QVC Network, the

■ The perfect information age marriage Page 15
■ Lex Paga 14
■ BellSouth buys staka in cable TV operator Page 18

home shopping channel headed hy Mr Barry Diller, which is making a hostila $9.5bn bid for Paramount, in competition with a $7.5bn agreed bid from cable company Viacom.

Analysts said the Bell Atlantic deal could help strengthen QVC's position. Mr Malone said yesterday that the QVC bid was peripheral to the Bell Atlantic deal, though he wished Mr Diller the best of luck and would personally do what he could to help him.

Viacom, which has launched a legal suit trying to block the QVC bid because of Mr Malone's alleged "monopolistic intentions" in the cable industry, yesterday called on Congress to "take a hard look" at Mr Malone's record.

Mr Raymond Smith, chairman of Bell Atlantic, yesterday hailed yesterday's agreement as a "model for communications companies in the next century."

A letter of intent between the two groups calls for most of TCI and Liberty's assets to be merged into Bell Atlantic, apart from cable service companies owned in the region where Bell Atlantic is a telephone operator. These would he sold or apun off to shareholders separately.

Under the 1984 cable act regional telecommunications companies are forbidden from buying cable companies in the area where they nperate telephone services.

The deal values TCI at $11.8bn, excluding the Liberty Media programming assets, which would be worth some $5bn to $6bn more if included in the takeover. Bell Atlantic would also take on some $9.6bn of deht.

The approximate $28bn total compares with the $25bn value of the 1989 takeover of RJR Nabisco in a leveraged buy-out by Kohlberg Kravis Roberts, which also assumed some $4.5bn of debt.

Bell Atlantic chairman Raymond Smith (right) and John Malone, his counterpart at TCI, announce the merger of the two companies

Prospects fade for BAe/Taiwan regional jet deal

By Dennis Engbarth in Taipei and Daniel Green in London

THE PROSPECTS for a auccessful conclusion to talks hetween British Aerospace and Taiwan Aerospace on a joint venture to huild regional jets receded further yesterday when Taiwan admitted that difficulties over the deal bad shown that it needed a *new aerospace industry strategy*.

Mr Chiang Ping-kun, industry minister, said that when the original deal was struck in January 1993, "there wasn't any strategy. It wasn't conducted by experts. The banking specialists weren't involved, for example."

Taiwan wants to enter the civil aviation sector as part of its industrial policy. But in recent months, opposition politicians and some Taiwanese banks lending money to Avro, the joint venture company, have argued against the deal on commercial grounds and the governmeot had stepped in to try to save it.

Mr Chiang repeated that the government would take no more direct part in the deal, but added that the proposed venture might go ahead. The decision would be taken by BAe and TAC, he said.

The collapse of the joint venture would undermine the UK company's strategy for improving profits and threaten the jobs of the 4,000 BAe staff mostly in Woodford, Cheshire.

BAe said it helieved that a deal was still possible. However, its attempts for the past week to restart talks with TAC have been fruitless. Talks are unlikely to be reconvened before a TAC board meeting next Tuesday when one of three outcomes was likely, Mr Chiang said.

The board could declare the deal dead, it could "strive for better conditions under the existing structure" of the agreement or it could call for the basic contract to be renegotiated.

BAe has in the past warned that the January contract meant that TAC bad legal ohligations and could not pull out without consultation.

The differences between the two sides concern BAe's commitment to a new generatiou of aircraft that would be more suited to Asian markets than the *RJ* series, which was designed in the 1970s.

TAC wants such a commitment while BAe insists that the joint venture be finalised before a study is conducted.

BAe said again that it believed these differences could be "clarified" and the deal proceed.

Mr Chiang said that whatever bappened his ministry would now formulate a new plan for the aerospace sector.

"What we need is an overall and integrated strategy and a group of advisers, including experts in the aerospace industry, finance, law and international co-operation, to formulate in common a strategy," he said.

This is likely to involve a distancing hy the government from commercial decision-making.

Flotation of Inmarsat would create company worth $2bn

By Daniel Green in London

INMARSAT, the international satellite operator owned by 71 of the world's telecommunications authorities and companies, will next year propose its effective flotation.

The move would create a company likely to be worth more than $2bn.

The biggest shareholder is Comsat, the publicly quoted US company, with 24.6 per cent. British Telecom comes next with 11.7 per cent followed by Norwegian Telecom with 10.7 per cent and Japan's KDD with 9.1 per cent.

Inmarsat was established in 1979 to provida satellite communications for shipping. It has since expanded into land and air mobile communications and is now used for telephones and faxes in passenger aircraft and by newsgathering and emergency services.

The organisation's annual turnover exceeds $300m and it has a "surplus", equivalent to a profit, of about $100m a year. Its annual growth has exceeded 20 per cent for the last four years.

The mechanism likely to be put to Inmarsat's owners early next year is that their stakes become tradeable with each other. From there it is a relatively small step to allowing third parties to buy stakes in Inmarsat.

If Inmarsat were to be valued on a similar basis to companies such as BT or Cable and Wireless, it would be worth more than $2bn.

On a valuation of $2bn, BT's stake in Inmarsat would be worth $238m, compared with its net investment so far of $35m.

Inmarsat has in recent months laid plans to move into mass markets for mobile communications.

It wants to build a global mobile telecommunications network based on its satellites. But the scheme is bringing it into conflict with private sector companies, such as Motorola, which plan similar networks.

"We're operating in an increasingly competitive environment. It is useful to have an accurate value of shareholders' investment", said Mr Ramin Khadem, Inmarsat's chief financial officer.

Mr Bruce Crockett, chairman and chief executive of Comsat, Inmarsat's biggest stakeholder, said he supported moves towards flotation.

"It would allow other [companies] to become owners. That makes a lot of sense", he said.

He added that such a market would yield high valuations for stakes.

BT took a more cautious line yesterday, saying that it would make up its mind after a study group had made a report in February 1994.

Mr Crockett said it was "inevitable" that a similar move would be considered by Inmarsat's sister organisation, Intelsat, which operates satellites for non-mobile communications.

Intelsat's sales exceed $600m a year, but growth is slower and it faces competition from cable-based telecommunications.

Inmarsat's largest shareholders (%)	
Comsat (US)	24.63
British Telecom (UK)	11.74
Norwegian Telecom (Norway)	10.56
Kokusai Denshin Denwa (Japan)	9.07
France Telecom (France)	5.41
Morsviazsputnik (Russia)	4.36
Deutsche Bundespost Telekom (Germany)	2.77
Telespazio (Italy)	2.74
PTT Nederland (Netherlands)	2.51
Hellenic Telecommunications (Greece)	2.49

CONTENTS

NEWS: EUROPE

German banks chief attacks sell-off plan

By John Gapper in Bonn

MR Horst Köhler, the nawly-appointed president of the German Savings Bank Association, yesterday stepped into the growing debate on hank privatisation hy calling for his memher hanks to remain in public ownership.

Mr Köhler said that privatisation of Germany's 710 local authority-owned savings banks and 13 commercial hanks owned hy state governments could lead to restrictions on lending to small and medium-sized companies.

His remarks at a press conference follow pressure from German politicians including Mr Günter Rexrodt, the federal economics minister, for the speeding-up of bank privatisation. Mr Köhler, formerly finance ministry state secretary, said that the 13 Landesbanken and 710 Sparkassen which account for 60 per cent of all small business lending, conld lose their regional strength if privatised.

He said that public ownership enabled the savings banks to take a longer-term view of finance for small and medium-sized businesses, and their network of 20,000 hranches led to more accurate credit assessments. Mr Köhler said that it was important to ensure that financial services were available in all regions. He said privatlsation of savings banks could lead to "more concentration, and more fragility in our economy".

He said that savings banks were supporting local businesses more strongly than privately-owned commercial banks, since Sparkassen lending was 6 per cent up in the first half of the year, compared with the second half of 1992.

Mr Rexrodt last month promised new laws to accelerate privatisation of the Sparkassen and Landesbanken. He singled out WestLB, the Landesbank in North Rhine-Westphalia for criticism over its equity stakes in companies.

Mr Otto Lambsdorff, economics spokesman and former leader of the Free Democrats, Mr Rexrodt's own party, has also called for bank privatisation, which economists have calculated could raise DM100hn-DM150hn (£40hn-£60hn) for the government.

Mr Köhler said the Sparkassen had to reduce costs and improve their use of technology, hut their relatively low proportion of write-offs of assets, including loans, showed that their local presence improved earnings.

Stewart Kendall

Horst Köhler, head of the German Savings Bank Association

IG Chemie increases pay pressure

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

IG CHEMIE, the German chemicals industry union, will make a pay claim of "around" 4.2 per cent at negotiations for 1994 starting next month, according to Mr Hermann Rappe, union president.

Mr Rappe, who represents 819,000 workers across German industry, said in a radio interview the union would resist calls for a pay freeze.

His informal "estimate" of a claim yet to be agreed by the union's board highlights the low morale among workers' representatives as they prepare for the new year's pay round.

The chemicals industry employers have made no proposals, although they have been at pains to illustrate their lack of ability to pay.

Their association recently said 30,000 jobs would go this year and more would follow in 1994.

Pay had risen 15.5 per cent in the past three years while productivity had gone up only 6 per cent.

Mr Rappe claimed 4.2 per cent would match the expected rate of inflation in western Germany next year, although all official and unofficial forecasters predict a rate of 3.5 per cent.

His proposal followed Tuesday's recommendation from IG Metall, representing engineers and metal workers, for a rise of "up to 6 per cent", which was immediately rejected by employers as "poison".

In Bonn, Mr Dieter Kirchner, chief executive of Gesamtmetall, the engineering employers' federation, described the union's claim as "incomprehensible, unrealistic and illusory".

He warned that Gesamtmetall and IG Metall, the two giants of the German wage bargaining process, were in danger of becoming extinct if they failed to find realistic solutions to the high-cost problems of the industry.

"If we follow the old pattern of negotiations, there will be a loss of confidence in the wage bargainers," he said. "We don't want to be one of the dinosaurs. I do not think IG Metall wants to be one either.

"What we need this year is a significant cost reduction. This combination of a six per cent wage demand, and a call for a moratorium on job cuts is simply impossihle to understand."

Germany's leading political parties have all lost substantial support in the opinion polls over the past two months, with a significant rise in the popularity of all the fringe protest groups, writes Quentin Peel. The Christian Democratic Union, and its Bavarian sister party, the Christian Social Union, would get only 30.9 per cent support if there were an election this week, according to the latest poll by the Allensbach Institute. At the last general election in December, 1990, the parties won 43.8 per cent. The Social Democrats are down to 35.4 per cent, compared with 38.2 per cent in the west and 34.8 per cent in the east. The principal beneficiaries have been the Greens, up to 12.1 per cent, and the far right Republicans, up to 5.6 per cent, enough to gain them seats in the Bundestag.

Spanish inflation battle on course

By Tom Burns in Madrid

SPANISH inflation fell last month to its lowest year-on-year September levei since 1987, fuelling market expectations of interest rate cuts soon.

The pressure on the monetary anthorities to help kick-start the economy with lower rates has built np since figures released at the beginning of the week showed that the number of new unemployed between January and September had risen by 336,770.

A total of 2.5m Spaniards, or 16.6 per cent of the active working population, are now registered as seeking jobs.

Prices rose by 0.6 per cent last month to bring accumulated inflation for the first nine months of the year to 3.9 per cent. Year-on-year headline inflation is now down from 4.6 per cent at the end of August to 4.3 per cent at the end of last month.

Underlying inflation, which excludes the more volatile prices of non-processed foods and energy, fell from an annual rate of 5.7 per cent to 5.4 per cent.

Analysts said that although annualised inflation is expected to rise slightly in the next three months to stand above 4.5 per cent at the end of the year, there was now room for the Bank of Spain to follow up on a half-point interest cut it introduced at the begining of September when it brought its key intervention rate down to 10 per cent.

Since the last rate cut, the government has unveiled a restrictive 1994 bndget that reduces government expenditure and has an inflation rate target for the end of next year of 3.5 per cent.

The climate is now right for the Bank of Spain to bring down rates in the next few days," said Mr Jose Luis Feito, senior economist at Madrid securities house AB Asesores.

Brussels starts Aer Lingus state aid probe

By David Gardner in Brussels

THE European Commission yesterday started a state aid inquiry into the Irish government's planned I£175m (£166m) cash injection into Aer Lingus, Ireland's flag airline.

The decision to query the package marks a hardening line in Brussels against attempts hy member states to bail out their financially trouhled carriers, and to chip away at the air transport deregulation legislation agreed last year. Mr Abel Matutes, EC transport commissioner, signalled when transport ministers of the Twelve met at the end of last month that he was not satisfied with the cost-cutting measures Aer Lingus was taking as part of the three-year restructuring plan the state aid is linked to.

At the same meeting, EC competition commissioner Karel Van Miert, who as transport commissioner had approved hig cash injections for Sahena, Iberia and Air France, insisted that these were "last chance" agreements for returning these airlines to viability.

A Commission official said yesterday that "more information is needed ... about the viahility of the (Aer Lingus) plan," in four main areas:

● The airline's plans for its ground-handling monopoly; Brussels is separately investigating refuelling and baggage-handling monopolies at airports across Europe.

● The extent to which Aer Lingus' ohligation to stop over at Shannon airport on transatlantic flights is a cost impeding a return to viability.

● The competition implications of the state aid on the Dublin-London route.

● A commitment from Ireland that this will be the last state aid to the airline.

Aer Lingus and Dublin have a month to reply to these queries hefore Brussels decides either to approve the aid or take the enquiry a stage further. During that period it may also start examining other aviation state aid cases involving plans to put more cash into Air France, Olympic Airways of Greece, and TAP, Portugal's flag carrier.

Belgian franc loses more ground against D-Mark

By Andrew Hill in Brussels and Peter John in London

THE Belgian franc yesterday dropped to its lowest level against the D-Mark for at least three years amid renewed specnlation about a possible cut in interest rates.

In spite of support from the Belgian central bank, which denied rumours of a change in interest rate policy, the Belgian currency slipped at one point to the bottom of the European exchange rate mechanism. The French franc was also pushed down sharply.

Belgian analysts said there seemed to be no single reason why the Belgian franc should have come under such pressure yesterday. However, tension has been mounting in recent weeks, as the government prepares to publish guidelines for its negotiations with employers and unions over a "social pact".

The guidelines have heen prepared by a committee headed hy Mr Alfons Verplaese, the central bank governor, and are expected to lay the foundation for cuts in labour costs, improvements in competitiveness, and the reduction of Belgium's large budget deficit.

Certain Belgian economists have suggested that easing interest rates might be one way of making Belgian companies more competitive.

Dealers said yesterday that pressure on the franc had come from within Belgium but there were also rumours that it might have been generated hy Mr George Soros's Quantum Fund, the US investment group which made also $1bn (£600m) at the time of sterling's exit from the ERM last year. The Belgian franc ended the day at BFr21.89 against the D-Mark, up slightly from a low of BFr21.95 but weaker than its previous close of BFr21.78.

The fall reflected the view that the "core" members of the ERM, saddled with high unemployment and hit by recession, may have to ease interest rates shortly, in spite of pledges to shadow the D-Mark.

The French franc closed at FFr3.5290 against the D-Mark, down from FFr3.5120. A spate of strikes, lower overnight interest rates and comments from Mr Edmond Alhpandéry, the minister for the economy, that a weaker franc had been a key factor for stimulating growth, gave hope that the key intervention rate might fall from its present 6.8 per cent.

NEWS: EUROPE

Report warns on consequences of widening income differences

Pay gaps threaten to split Russia

By John Lloyd in Moscow

WIDENING differences in Russian incomes could threaten both the government's reforms and its political legitimacy, according to a report by the Centre for Economic Policy Research.

In a paper entitled "The Distributional Consequences nf Russia's Transition", Dr Chris Foyle points to a widening gap both between individuals and between regions of Russia.

In being prepared, "at least in the short term, to sacrifice eqnity for efficiency", he says, the government risks sacrificing political legitimacy.

Further, the weakness of the centre and its apparent inability to impose a fair tax structure, coupled with the growing wealth of some regions and the deepening poverty of others, poses large political risks. "The local versus federal fiscal tension could result in the fragmentation of the Russian Federation," he believes.

A social safety net with targeted benefits is urgently required for those who have suffered the worst effects of the rapid collapse of the command economy, he says. Since "the federal government is not in a strong financial position to undertake large scale social programmes", foreign aid should concentrate on that area.

Using the scanty data available, Dr Doyle shows that high, medium and low earners, all of whom enjoyed significant income growth during the Gorbachev years from 1985-1991, saw their real monthly incomes plunge by up to half in 1991-1992.

Total real household wealth had plunged from Rbs210bn at the end of 1991 (expressed in December 1990 roubles) to Rbs 29.5bn by the end of 1992, a decline of 86 per cent. "Thus, the impact of price liberalisation was to severely erode household wealth."

Pensioners have suffered particularly badly from the effects of reform. The real purchasing power of pensions more than halved between early 1991 and mid-1992. Those on average pensions have seen some small recovery since.

However, those on the lowest pensions remained at a very low aubsistence level to the end of last year, with their income at half or less of the official "physiological minimum", that is, the estimate of the monthly cost of providing a "bealthy diet" plus an extra 20 per cent for other expenses.

Dr Doyle argues that the new tax system, beavily based on value added and profits taxes, is as yet unstable and vulnerable to rapid erosion because of inflation.

He says the experience of privatisation, where many assets have been sold to citizens exchanging vouchers for shares in companies, will only initially mean wide share ownership. In time, "as household real incomes and wealth have fallen sharply during the initial stages of the reform programme, it is likely that shares and vouchers will be sold by many. . . . concentration of ownership into a few powerful institutions [new pension funds, conglomerates] is likely to happen".

The Distributional Consequences of Russia's Transition by Dr Chris Doyle; Discussion Paper no.839, Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB

Reuter

The blackened White House parliament building provides a grim backdrop as two Muscovites argue over Russia's plight

Left-wing parties form coalition in Poland

By Christopher Bobinski in Warsaw

TWO of Poland's parties with their roots in the communist past said yesterday they intended to form a coalition government following elections on September 19 which failed to produce an outright winner.

The Left Democratic Alliance (SLD) and the Polish Peasant Party (PSL) signed a joint statement of their intention yesterday. Together they won 35 per cent of the vote and control 303 seats in the 460-member parliament.

They have also proposed Mr Waldemar Pawlak, a 34-year-old farmer and PSL leader, for prime minister.

The SLD leader, Mr Aleksander Kwasniewski, said: "We want a strong and effective government. We want a government which will support a strong market economy but which will respect social rights." He will not join the government but will lead the group's parliamentary caucus.

Putting Mr Pawlak's name forward could lead to new delays as President Lech Walesa is insisting the SLD, which won the biggest share of seats in the election, should give him three names from which to chose a premier.

If he fails to appoint a head of government within two weeks after the first meeting of the lower house, parliament can nominate a prime minister without consulting him.

Yesterday, the coalition in a conciliatory gesture to Mr Walesa withdrew a proposal to transfer presidential powers over the security services to the government and parliament.

This, and the coalition's refusal to accept a reduction in Poland's mass privatisation scheme, caused the Solidarity-rooted Labour Union to withdraw from coalition talks yesterday.

Mass privatisation, a plan backed by the World Bank, will place the ownership of around 600 state sector companies with foreign-managed national investment funds and distribute the shares in those funds at a nominal charge to Poles who care to buy them.

Danes again bail out Faroes sinking ship

DENMARK has guaranteed a DKr1.3bn (£131m) loan to the Faroe Islands to help tbe self-governing province bail out its two largest commercial banks.

The agreement came after 12 hours of negotiations in Copenhagen between Mr Mogens Lykketoft, Danish finance minister, and Mrs Marita Petersen, Faroese prime minister. Most of the loan will go to Foeroya Banki and Sjovinnubankin, whicb faced bankruptcy.

The accord will help stave off economic collapse for the islands as a whole, according to Mr Lykketoft. "This step, and others to come, create a basis for putting the Faroes on its feet again. It will take a long time and it will be painful but it can be done," Mr Lykketoft said yesterday.

The windswept North Atlantic islands, part of the Kingdom of Denmark, built up large domestic and foreign debt during a period of rapid expansion in the 1980s.

Denmark stepped in earlier this year with DKr1.4bn to rescue the Faroese banks, which had to write off 24 per cent of their loans. The Danes also provided DKr450m to keep the government itself from having to suspend payments.

In the mid-1980s, the 47,000 islanders enjoyed one of tbe highest per capita growth rates in Europe. But little has gone right for the islands since then.

The fisheries, which account for 90 per cent of exports, have collapsed. Over-fishing of Faroese waters by a fishing fleet subsidised to the hilt by the Faroese government is partly blamed. The steep fall in the international price of fish over the past year has added to the troubles.

The decline of the fisheries industry has taken the rest of the economy with it. In the five years to 1993, gross domestic product has fallen by about 25 per cent (in current prices) and domestic demand was halved.

Unemployment is about 20 per cent and would be higher but for the fact that since 1988 about 4,500 islanders, some 9 per cent of the population, have emigrated, many of them to live on social security in Denmark.

Loan accord will help stave off economic collapse for the islands, writes Hilary Barnes in Copenhagen

Mucb of the islands' debt was built up in the 1980s, when bridges, a tunnel, schools and nurseries were built. Central and local governments alike went beavily into debt as investment boomed and tbe current account of the balance of payments went deeply into deficit.

The islands' net foreign debt soared to its present level of about DKr7.9bn, or Dkr170,000 (some £17,000) per islander and around 140 per cent of gross domestic product. The government's budget deficit (including capital items), according to a report from the Danish prime minister's office, will this year run to about DKr1.5bn, some 31 per cent of GDP.

Next year, the island government will need to borrow about DKr2.3bn, says the report. Some DKr1bn is in foreign loans, mainly Yen and D-Marks, which Denmark will have to refinance. How much of the rest the Danish taxpayers will have to meet is a matter for negotiation, according to an official at the prime minister's office.

Until fish stocks are re-established – and fish prices recover – tbe islands' future looks bleak.

The government has raised taxes and slashed spending, including an 8.5 per cent cut in the pay of everyone employed in the government sector this year.

More is needed, according to Copenhagen, whicb has made the loan conditional on the Faroese government cutting spending next year by at least DKr250m.

In its report, Copenhagen proposed a a wealth tax to be levied on older islanders, many of whom built up wealth in the good years, and a virtual halt to infrastructure investment. In the longer run, oil and gas from beneath the sea could be the islands' saving.

BP made a substantial find in the UK sector close to the dividing line with the Faroese sector earlier this year. But a hunt for bydrocarbons by the Faroese themselves is being beld np by a dispute with Britain over economic zone divisions. Even if this dispute is settled quickly, which does not seem likely, it will be a long time before any hydrocarbons in the Faroese sector can be exploited.

In the meantime, the islanders will have to tighten their belts and pray for the fish return.

Parties sign up to run in polls

By John Lloyd

MORE than 90 organisations have registered to take part in Russian elections due on December 12, although politicians and observers expect parliament to be dominated by a handful of blocs.

President Boris Yeltsin yesterday flatly ruled out simultaneous parliamentary and presidential elections, as suggested by an aide on Tuesday.

However, Mr Vladimir Shumeiko, first deputy prime minister, yesterday repeated the opinion of many in Mr Yeltsin's entourage that elections should be held on the same day. The president, in comments at the end of his visit to Tokyo, did leave open the possibility of a change in presidential elections from the announced date of June 12 next year, saying the new parliament would decide the date.

Intense politicking is now going on between the leaders of various parties and groups in an effort to construct election coalitions – though the tendency at present seems towards fragmentation. The main liberal grouping, Russia's Choice, is due to hold a convention this weekend.

Russia's Choice is headed by Mr Yegor Gaidar, first deputy prime minister, and is likely to receive Mr Yeltsin's endorsement. However, two other pro-market groupings – the Russian Movement for Democratic Reforms, whose list is headed by Mr Anatoly Sobchak, mayor of St Petersburg, and the August grouping, based on the Party of Economic Freedom headed by Mr Konstantin Borovoi – have so far declared they will run independently.

The centre groupings are likely to include New Russia, which brings together Christian democratic and social democratic parties.

Leaders of the communist and nationalist movements, many of whose parties are banned under the state of emergency dne to end this weekend, have said they will participate, if necessary under the aegis of parties entitled to run.

Norway's budget aims to cut deficit

By Karen Fossli in Oslo

NORWAY'S minority Labour government yesterday unveiled a draft budget proposal for 1994 which aims to create jobs and protect the welfare state, while still cutting last year's record deficit by NKr5.1bn (£475m).

The government forecasts a bndget deficit of NKr46.4bn for 1994, or 6.1 per cent of gross domestic product, down from last year's NKr51.5bn.

However, the government said this year's budget deficit would be 3.4 per cent of GDP, somewhat higher than the 3 per cent ceiling stipulated by the Maastricht treaty convergence criteria. Norway is currently seeking European Community membership.

The current account surplus is forecast to rise to NKr35.5bn from NKr25.3bn, mainly because of higher oil production.

Total revenue is expected to increase to NKr330.2bn from NKr318.4bn last year, while spending is set to rise tn NKr376.5bn from NKr369.9bn. The finance ministry said it aimed to raise NKr880m annually by increasing the marginal wealth tax rate to 1.8 per cent from 1.3 per cent.

The government promised to try to cut the tax bill to industry by NKr584m in an attempt to improve conditions for job creation. Measures to achieve this include the abolition of an electricity duty, which tbe government said would save industry NKr270m annually.

The unemployment rate is about 8 per cent, a post war record.

Economic growth is forecast to accelerate to 3 per cent from 1.3 per cent this year.

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Japan and Russia take step towards better relations

By William Dawkins in Tokyo

THE Japanese government yesterday breathed a sign of relief that relations with Russia, traditionally regarded as a dangerous and untrustworthy neighbour, had taken a step towards normality.

In spite of the bad omens for the three-day visit of Mr Boris Yeltsin, the Russian president, which ended yesterday, the two nations claimed they had made real progress towards ending nearly five decades of mutual hostility.

Their agreement to open negotiations on the future of four Pacific islands, seized by Soviet troops at the end of the second world war, might seem modest but it will attract wide attention among the Japanese public, which values the Northern Territories, as the four Kurile islands are called in Japan, as a symbolic national asset.

"President Yeltsin's visit has opened the first page towards normalising relations...We have established the foundation for new negotiations," said Mr Morihiro Hosokawa, Japan's prime minister.

This could reduce the split between Japan and its partners in the Group of Seven industrialised nations on how to handle Russia. Until yesterday, Japan was in danger of being the only industrialised country not to have responded to the end of the cold war by moving towards normal relations with Moscow.

The progress achieved on this visit, while short on concrete detail, will strengthen Mr Yeltsin's legitimacy at home, as no doubt he intended.

It will also bolster the position of Mr Hosokawa, who had come under opposition attack for allowing the visit to go ahead.

Officially, Japan continues to deny large-scale economic aid to Russia until there is more substantial progress on the row over ownership of the islands.

Yet Japan has been unable to hold this line rigidly, under pressure from its G7 partners which have been boosting aid to Russia to help its transition to a market economy.

Pressure on Japan came to a head last April when Tokyo was chairman of a G7 emergency meeting on aid to Russia, at which it pledged $1.8bn (£1.19bn). As a result, Japan is now Russia's third largest donor, despite the islands dispute.

Thanks to the improvement in relations over the past few days, Japan will now further increase the flow of aid to Russia, officials say.

But this will merely mean faster disbursement of the nearly $5bn so far pledged, of which only 10 per cent has been paid out, they add.

Examples include a Japanese-financed $200m fibre-optic telecommunications link between Moscow and the Russian far east, part of an aid package agreed two years ago but yet to be implemented.

Separately, they signed an economic accord, in which Japan offered its expertise to help Russia shift to a free market economy.

The accord listed 11 sectors for increased co-operation, including nuclear power, space technology, environmental conservation, agriculture, transport and communications.

They also agreed, for the first time, to seek foreign policy co-ordination, "based on shared values," the Japanese foreign ministry said.

The omens had indicated that any progress was unlikely. Mr Yeltsin had snubbed his hosts by cancelling plans to visit Tokyo twice in the past 13 months, blaming the former LDP government's hard line over the islands. Japan, meanwhile, was more interested in pouring money into China's fast-developing economy.

Many people, especially in the LDP were suspicious that Mr Yeltsin had chosen now to make good his promises to call on the Japanese government.

Coming only a week after using tanks to put down the rebels in Moscow, it looked to some that Mr Yeltsin was pulling a propaganda stunt, at Japan's expense, to demonstrate his confidence.

As Mr Yeltsin left Moscow, he confirmed Japan's worst misgivings by warning that he hoped the Tokyo government would not spoil the visit by bringing up the question of the islands.

Japanese officials felt as if a diplomatic earthquake was on the way. In the event, Mr Yeltsin's arrival did coincide with a real earthquake, the worst to hit Tokyo for several months.

But his surprisingly conciliatory stance, including an unscripted apology, repeated several times, for Soviet treatment of Japanese prisoners of war, left the diplomatic landscape rather improved.

UN settles for damage limitation in Somalia

By Leslie Crawford in Mogadishu

UNITED NATIONS' diplomats struggling to conjure a new policy for Somalia are only certain of two things: they cannot afford any more deaths among peacekeeping troops and they must find ways of blocking the departure of the all-important US contingent.

Mr Kofi Annan, the UN chief of peacekeeping operations, was unable yesterday to clarify the UN's aims in Somalia, in particular how it intended to deal with the defiant warlord, Gen Mohamed Farah Aideed.

At a press conference in Mogadishu, he left the impression that the 30,000-strong military intervention in Somalia had become an exercise in damage limitation.

"The level of fatalities is unsustainable and unacceptable," Mr Annan said of the 70 Blue Helmets who have been killed in Mogadishu since June.

"When governments begin to take casualties, the public outcry is difficult for politicians and leaders to handle. We were not prepared, we did not expect to encounter this level of violence."

Mr Annan made clear that the UN's priority in Somalia from now on would be to minimise the level of casualties. He did not explain how this could be achieved without abandoning the fruitless and always violent hunt for Gen Aideed.

But it was apparent that the UN was searching for formulas to scale down the confrontation with the rebel warlord. Plans to put Gen Aideed on trial for war crimes have been abandoned.

Instead, Mr Annan talked of having "some sort of judicial process" that would investigate Gen Aideed's responsibility for the killings of UN soldiers in his south Mogadishu fiefdom.

Gen Aideed is unlikely to be pursued while he continues to hold a US helicopter pilot and a Nigerian soldier captive. Washington, with its history of hostage traumas, is suggesting an "independent inquiry" into the Mogadishu killings.

Many Somalis now believe that if Gen Aideed plays his hostage card correctly, he will probably escape the rigours of a UN trial altogether.

Gen Aideed's unilateral ceasefire, which has given Mogadishu a few precious days of peace, was briefly broken yesterday by an attack on a UN food convoy guarded by Saudi troops.

Some food was looted, but there were no reports of casualties.

Mr Annan said President Bill Clinton's decision to pull out US troops from Somalia in six months' time would "weaken the UN operation considerably, if not unravel it altogether."

The timetable for withdrawal gives the UN little time to replace the largest single contingent in Mogadishu with troops from other countries. Mr Annan implied that it would be difficult to match US expertise in logistics and air surveillance.

He was also unhappy about the timing of the decision: to announce the withdrawal following the deaths of 16 US soldiers in a gunbattle with Gen Aideed's militias was to broadcast to the world that a few detarmined men could block an international peacekeeping mission, Mr Annan said.

Bombay brokers in tax probe protest

By Stefan Wagstyl in New Delhi and RC Murthy in Bombay

A STOCKBROKERS' strike yesterday halted trading on the Bombay Stock Exchange, India's largest equity market, following repeated failures to settle a dispute arising from last year's Rs42bn (£875m) securities market scandal.

Brokers meet today to decide whether to continue their action which has disrupted stock market dealings throughout India and undermines efforts to build confidence in the capital markets.

The dispute started last month when income tax inspectors investigating the affairs of Mr Harshad Mehta, the broker at the centre of the scandal, froze dealings in specified blocks of stock in nine leading companies.

The inspectors' action has upset trading because brokers and investors alike have become relnctant to deal in shares of tbe nine companies for fear of bandling tainted stock and unwittingly being drawn into tbe tax probe. Under the BSE'a trading rules, a broker bnying stock only receives the share certificates in the final stages of a transaction, after money has cbanged hands.

So be cannot cbeck wbether be is receiving tainted stock until it is too late. The affected shares inclnde scrip issued by Reliance Industries, the large cbemicals and textiles combine, and ACC, a major cement producer.

Stock exchange officials lobbied the tax inspectorate to relax tbe freezing order hut the inspectors bave declined, saying it might hamper their investigations.

An attempt to have the matter resolved in tbe courts failed wben the special court established to try scandal-related cases this week refused to arbitrate and referred the matter to the government. Flnance ministry officials were yesterday seeking ways of resolving the issue.

The Securities and Exchange Board of India said a solntion would be found in seven days. Officials of the board, tbe income tax dapartment, tha finance ministry and the stock exchange are to meet tomorrow.

Israel and PLO set out peace timetable

By Mark Nicholson in Cairo

ISRAEL AND the Palestine Liberation Organisation briskly and cordially began implementing tbeir outline peace deal yesterday.

The two sidas set a tight timetable for further detailed negotiations and established two additional committees on economic and regional co-operation.

At separate talks in Cairo and Taba, on Egypt's Red Sea coast, the two sides agreed on the institutional structures necessary for detailed negotiations.

They also opened continuous talks on the terms for an Israeli military withdrawal from the Gaza Strip and Jericho, which is due to begin on December 13.

Mr Shimon Peres, the Israeli foreign minister, wrapping up the first one-day meeting of a joint PLO-Israeli liaison committee, said in Cairo:

"We shall make a supreme effort to meet tha time (for withdrawal) and if possible, attempt to do so earlier".

Both Mr Peres and Mr Mahmoud Abbas, who headed the PLO delegation, emphaslsed the "positive" spirit of the talks, meeting privately before the inaugural two-bour session of the liaison committee.

Outside, sharp-suited Israeli and Palestinian security agents milled side by side, stonyfaced, in the corridors of the Semiramis Intercontinental Hotel.

The leaders of the two delegations were relaxed and occasionally smiling, Mr Peres at some points translating for his counterpart.

Speaking for both, Mr Peres told reporters: "We want to build a real commodity, and that is goodwill."

He added: "Both of us have agreed that the purpose of our delegations is not to argue and create problems, but to build bridges, the right atmosphere and the right approach."

Mr Abbas declared: "We will work day and night, without being restricted by time, to solve all the pending issues which need to be settled by the deadline, in accordance with the agreement."

In a communiqué, the two sides announced that:

- The Cairo liaison committee will meet every two to three weeks at ministerial level and may create sub-committees to address tbe following problems;
- The Tsba negotiations on limited Israeli withdrawal will be continuous; the two sides hope to reach agreement on withdrawal within two months;
- A ministerial-level committee will be formed on economic co-operation, the dates and venues for which are to be decided;
- Further committees embracing the Palestinians, Israel and Jordan will be formed in order to hold discussions on "issues of common concern";
- Separate talks should resume as swiftly as possible in Washington over next year's Palestinian elections in the West Bank and Gaza.

No date has yet been set for the twelfth round of Washington peace talks, which would also include bilateral talks between Israel, Jordan, Syria and Lebanon.

The communiqué also said that the question of tens of thousands of Palestinian prisoners held in Israel and the remaining Palestinian deportees whom Israel despatched to south Lebanon in December last year, would be referred to the separate talks on limited self-rule in both Gaza and Jericho.

"The issue will be dealt with in good faith...taking into consideration the importance that the Palestinian side attaches to it," the statement added.

Israel's foreign minister Shimon Peres (left) shakes hands with the PLO's Mahmoud Abbas Reuter

Mubarak reappoints premier

By Mark Nicholson in Cairo

EGYPT'S President Hosni Mubarak began his third term of office yesterday by retaining Mr Atef Sidki, his 63-year-old prime minister, who in turn announced the first moves in a long-awaited cabinet reshuffle.

Mr Mubarak promised during his inauguration speech on Tuesdsy that "new blood" would follow his endorsement in last week's referendum for a further six years as Egypt's head of state. He has been binting at cabinet changes since April and last month spoke of possible "unlimited changes" in the government.

However, his first move was to reappoint Mr Sidki, s man who embodies Mr Mubarak'a preference for stability and cautious reform. Mr Sidki, who formally appoints Egypt's cabinet, then announced that Mr Mohammed Salheddin Hamid was to be replaced as governor of the central hank by Mr Ismail Hassan, chairman of the Bank of Alexandria.

Rabin denies supplying high-tech arms to China

By Tony Walker in Beijing

MR Yitzhak Rabin, Israel's prime minister, yesterday rejected as "total nonsense" reports that Israel had sold billions of dollars of arms to China, and that some of these transfers included unautborised American technology.

"All these stories about billions of dollars in arms business are total nonsense," Mr Rabin told reporters after meeting Chinese leaders, including President Jiang Zemin and Prime Minister Li Peng.

The Israeli leader'a denials of improper transfers follow written testimony to US Congress by Mr James Woolsey, director of tbe Central Intelligence Agency, in which he said that China and Israel "appear to be moving toward formalising and broadening their military, technical co-operation."

Mr Woolsey was speaking in advance of the publication of a CIA report that alleges China has been acquiring advanced military technology from Israel since the late 1970s. Israel's arms sales to China could amount to "several billion dollars," the CIA report stated.

Apart from vigorously denying that Israel's arms trade to China amounted to billions, Mr Rabin was also adamant that his country had not violated US laws in the transfer of technology.

"Wa ara not so stupid to endanger $3bn (£1.96bn) in grant aid we get for military and civilian purposes (from the US)," he told a press conference in the Great Hall of the People.

But the CIA assessment casts doubt on how scrupulous Israel has been over the transfer of sophisticated technology to China.

"Building on a long history of close defence industrial relations – including work on China's next generation of fighter, air-to-air missiles, and tank programmes – and the establishment of diplomatic relations in January, 1992, China and Israel appear to be moving toward formalising and broadening their military technical co-operation," Mr Woolsey said.

The CIA chief added: "We believe the Chinese seek from Israel advanced military technology that US and western firms are unwilling to provide."

Allegations about an extensive Israeli-Chinese arms connection have been around for years. According to a Rand Corporation study commissioned by the Pentagon in 1991, Israel has helped China to develop a surface-to-air missile, an intermediate-range missile, an air-to-air missile, advanced armour technology for its tanks, and an airborne early warning system, among other items.

Mr Rabin, the first Israeli prime minister to visit China, said he hoped Beijing would use its close ties in the Arab world to advance the peace process. He leaves for Israel today at the end of a five-day visit in which ha has been accorded special treatment by the Chinese.

Beijing warns on Hong Kong

By Tony Walker in Beijing

MR Lu Ping, China's top official on Hong Kong, has warned that failure to resolve differences with Britain over the colony's future would threaten its economy.

Speaking in Beijing yesterday before receiving a delegation from Hong Kong's Liberal party, Mr Lu said: "If the British side sticks to (Governor) Chris Patten's plan, it shows that Britain is not willing to co-operate with the Chinese side to realise the smooth transfer of power.

"Under these circumstances, it is difficult to assure that Hong Kong's economy will not be affected."

China, which takes over Hong Kong in 1997, has been enraged by proposals advanced by Mr Patten to broaden the franchise for elections due in 1994 and 1995.

It claims these proposals fly in the face of understandings reached with Britain during negotiations over Hong Kong's future. Beijing has appeared in recent days to be seeking to raise the stakes in its dispute with London.

China's chief negotiator in talks with Britain over Hong Kong warned this week that in the absence of an agreement Beijing would simply ignore tha results of elections for local government and for Hong Kong's quasi parliament, tha Legislative Council.

Mr Jiang Enzhu, a vice foreign minister, was speaking before the 13th round of Sino-British talks, all of which have ended inconclusively. The two sides resume talking in Beijing next week.

Reuter adds from Hong Kong: The leader of Britain's opposition Liberal Democratic party, Mr Paddy Ashdown, said yesterday be feared negotiations with China on Hong Kong democratic future would collapse. But he added: "I am fairly confident that Hong Kong's prosperity and economy will remain vibrant and strong right through the instability that may now be coming."

South Africa to attend summit

South Africa may be represented at next week's Commonwealth summit in Cyprus, Cypriot foreign minister Mr Alecos Michaelides said yesterday, Reuter reports from Nicosia.

South Africa left the Commonwealth in 1961 and faced Commonwealth as well as UN sanctions until apartheid began to be dismantled.

Generals join transition team

The Algerisn government bronght tbe armed forces openly into the political process yesterday, Reuter reports from Algiers.

It appointed three generals to an eight-man team set up to lay the groundwork for a political conference to organise a gradnal transition to elected government.

Yemen crisis deepens

Tbe Yemen Socialist Party boycotted the swearing-in of a new presidential council yesterday, throwing into disarray plans to elect a new Yemeni president and end a political crisis, Reuter reports from Sanaa.

The swearing-in of the five-member council and the election of a new president had been seen as the start of political reconciliation in Yemen.

Kenya gets a lookover before foreign creditors meet

Leslie Crawford on the visit of a World Bank team to assess whether Moi's government has mended its financial ways

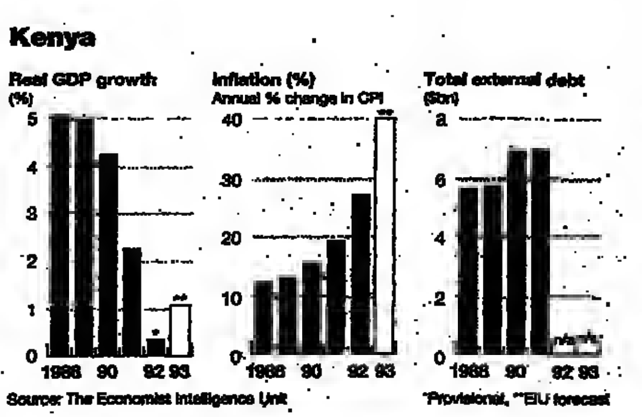
A WORLD Bank team was due in Kenya yesterday to begin assessing whether the country has mended its financial ways sufficiently to merit the resumption of international aid.

Kenya's chances of repairing relations with the donor community look better now than st any time since the suspension of aid in November 1991.

President Daniel arap Moi'a government has moved to curb the worst cases of fraud and corruption in the banking and export sectors; fresh teams at the treasury and central bank sppear determined to fight inflation and restore a measure of probity to government accounts; and economic reforms are moving ahead.

"I believe enough has been done in terms of the basic framework to justify the reopening of a dialogue," a World Bank official says. His cautious remarks, however, speak volumes about the cbasm of distrust that still separates them.

Only six months ago, President Moi accused tha World Bank and International Monetary Fund of forcing "dictatorial and suicidal reforms" on Kenya. But as the aid squeeze took its toll, the president recanted.



The World Bank has agreed to chair a consultative group meeting of donors in Paris next month. An IMF team is due in Nairobi soon to discuss the datails of a three-year economic reform programme which would form the basis of an appeal for renewed assistance at the Paris meeting.

The World Bank is warning Kenya not to expect the aid floodgates to open wida. "A return to normal aid flows will depend on the delivery of results," says one World Bank economist.

"Kenya's relations with donor governments are so badly damaged that it will need to establish a track record of sound economic management."

What cannot be delayed for much longer, however, is a rescheduling of the country's $7bn (£4.57bn) foreign debt. Kenya has dealt with the lack of external assistance by accumulating more than $500m in deht-servicing arrears – the equivalent of about five months of export revenues.

"Debt arrears are a millstone around our neck," says Mr Micah Cheserem, the central bank governor, who was appointed in July. "We need creditors to write off at least part of the arrears." The 44-year-old governor, a former accountant with Unliever, believes Kenya deserves a measure of debt forgiveness, as debt service now consumes 30 per cent of export earnings.

The aid freeze has also left its mark on the once-vibrant economy, which has in effect stagnated over tha past two years and creates formal sector employment for only a small fraction of the 400,000 job seekers entering the labour market each year. The result has been rising crime, child beggars on the streets of Nairobi, and hunger in the Rift Valley, where drought has blighted the maize crop.

Kenyans are also suffering the aftermath of financial scandals that rocked the banking system this year. Unsecured loans by the central bank to local banks with ties to influential politicians led to a massive expansion of the money supply and fuelled inflation.

In July, tba government closed four of tbe scandal-tainted banks and started placing high-interest treasury bills on the market to mop up excess liquidity and curb inflation.

Inflation, however, is still running, on some estimates, at an annual rate of 54 per cent, compared with 27 per cent at the end of 1992. The rate is expected to fall only towards the end of the year.

"Nineteen ninety-three will not be a great year," says Professor Terry Ryan, an economic secretary at the treasury. The only bright spot, be says, is the export sector which has benefited from devaluation of the shilling.

Estimates of Kenya's economic performance in 1993 vary from a contraction of 2 per cent to expansion of 2 per cent. Kenya's population grows by 3.4 per cent a year.

But if Kenya is to reach agreement with the IMF, more unpalatabla reforms lie ahead: job losses in the civil service, parastatal reform, and the abolition of the government's maize-marketing monopoly, with the attendant loss of the government's ability to dispense political favours.

Mr Cheserem and Mr Musalia Mudavadi, the finance minister appointed in January, say they are committed to an IMF-style structural adjustment programme.

"I want to divorce politics from economic management," Mr Cheserem says, "and reduce opportunities for graft."

Opposition economists, however, believe the new economic team lacks the political clout to sustain painful reforms.

"Will [President] Moi find the political costs too high?" asks Mr Mwai Kibaki, leader of the opposition Democratic party and a former finance minister. "Under pressure, Moi will promise many things, but he will not change."

Even Mr Cheserem admits that his independence depends on the president'a goodwill. He calls Mr Moi the country's "chief economist" and says the president wants policies that will generate employment. Given tbat IMF programmes rarely create jobs in the short run, difficult negotiations lie ahead.

Mr Moi told Kenyans on Sunday to be wary of foreign handouts. "We cannot risk relying on foreigners to develop our country because at most times, their priorities are different from ours," he said in an address to celebrate "Moi Day" and his 15 years in power.

In Paris next month, donors will be trying to establish exactly what those priorities are.

NEWS: WORLD TRADE

US Congress attacks curbs on copyright

By Lisa Bransten and Nancy Dunne in Washington

THE US Congress is launching a direct attack against Canadian and EC restrictions on US "creative materials", raising yet another potential obstacle to the timely conclusion of the Uruguay Round.

In a move to bolster growing US exports of copyrighted materials such as films, television shows and computer software, 199 members of the House of Representatives are co-aponsoring a reaolution insisting that Mr Mickey Kantor, US trade representative, gain "fair and equal access" to international markets.

The resolution implicitly targets both Canada's cultural restrictions and the EC Broadcast Directive, which urges member states to ensure that at least 50 per cent of programming is produced in Europe. The latter was on the agenda in talks between Mr Kantor and Sir Leon Brittan, the EC trade negotiator.

European officials have been hoping the US would, in the end, not make a "roundhreaker" of France's requirement that at least 60 per cent of its programming be European.

An aide to Congressman Richard Gephardt, who introduced the measure, predicted the resolution soon wonld attract more than a majority of the 435 members of the House. Nineteen members of the Senate have signed a aimilar resolution introduced by Senator Frank Lautenberg.

The resolutions are non-binding, hut they exert strong pressure on Mr Kantor, who knows he must negotiate a Uruguay Round package thet Congress will pass. One trade strategist noted that they "make our position much less flexible and that can be good or bad".

The French, he added, hava been "incredihly provocative" with threats to hoycott US films to protect their movie industry.

The resolution also calls for access to foreign government funding of "cultural industries" and the establishment of a multilateral mechanism to prevent piracy of copyrighted goods, particularly US-developed computer software.

Both resolutions cite trade in copyrighted goods as among to fastest growing sectors of the US economy accounting for approximately $34hn in export revenues in 1990. The proportion of US workers employed in the *copyright-based* sector grew from 3.3 per cent in 1970 to 4.8 per cent in 1990, according to the resolntion.

Japan given deadline on alcohol taxes

By Michiyo Nakamoto in Tokyo

THE European Community and spirits-exporting countries have given Japan a deadline of next April to meet its obligation under the General Agreement on Tariffs and Trade to harmonise its liquor taxes.

The deadline was presented to Japanese officials by a delegation of international *spirits* exporters and comes six years after a 1987 Gatt ruling that Japanese liquor taxes discriminate against imports. "At a time when the trade imbalance of the EC and Japan is in excess of $30bn (£19.8bn), the implementation of the 1987 Gatt ruling is one of tremendous importance to us," said Mr Ron Brown, chairman of the European Business Community Liquor Committee.

As a result of the discriminatory *tax* system, whisky and brandy pay six to nine times more tax than shochu, a traditional Japanese distilled liquor.

Alternative port in storm over Hong Kong

Simon Davies on the implications of development plans for a mainland entrepôt

IN SPITE of Hong Kong governor Chris Patten's warnings last week of the enormous costs to both China and Hong Kong of delays to the expansion of the colony's port, Beijing must be feeling more sanguine about the issue.

The day before Mr Patten'a comments last Wednesday, one of Hong Kong's most influential businessmen signed up for an almost identical project in Yantian, which is just eight miles east of the territory's border with China.

The acquisition of control of Yantian's port by Mr Li Ka-shing's Hutchison Whampoa group – a deal witnessed hy China's premier Li Peng – inevitably raises concerns ovar whether Hong Kong's role as China's entrepót can be replicated.

As Mr Patten told Hong Kong's Legislative Council last week, the colony's port remains crucial to its economic development. It employs 350,000 people and generates 15 per cent of the colony's gross domestic product.

The boom in export processing in the Pearl River delta has been the main driving force behind Hong Kong's economy in recent years. in 1992, Hong Kong's throughput in TEUs (twanty-foot equivalent units) grew 29 per cent, making it the husiest container port in the world. Trade expands apace and the existing terminals will reach full capacity by mid-1995.

This coincides with the planned completion of Container Terminal 9 (CT9), hut as China continues to argue that its approval is necessary – ruling out fnnding for the consortia who were awarded the HK$10bn (£850m) project – it is clear that it will not be operational until 1996. As Mr Patten warned: "Ships will be turned away, and they may not return to use our port."

At the same time, rising costs and increasing congestion in the colony have already added to the attraction of constructing facilities in mainland China, whicb would be both cheaper and closer to the source of production.

The newly-capitalised Yantian international Terminals will have constructed five 50,000-ton container berths by the end of 1995, creating handling capacity of 1.7m TEUs.

The proposed CT9 will have four berths with capacity of 1.8m TEUs; but its estimated cost is about double the Yn5bn (at the official swap centre rate) thet is being invested in Yantian.

The Hutchison group, which controls around 60 per cent of Hong Kong's container throughput, has in effect hedged its bets. It will be a participant in Terminal 9, hut it has also purchased 50 per cent of the port operations in the cities of Shanghai and Zhuhai – to the north of Macao – and it controls a consortium which will own 70 per cent of Yantian.

According to Mr John Meredith, managing director of Hutchison subsidiary Hongkong international Terminals (HIT), the group is not anticipating future changes, hnt reacting to demand which already exists.

In the case of Zhuhai, which will remain a feeder port, HIT will hring in more container husiness for Hong Kong, while tbe port in Shanghai is too distant to be deemed a serious competitor. Yantian, however, is one of only four international deep water ports designated by China, and it has the draught and infrastructure to ahsorh substantial shipping business which might otherwise go through the colony.

Mr Meredith said: "When we looked at Yantian five years ago, people only wanted to use Hong Kong. Now the demand is there."

Hong Kong does maintain substantial advantages to justify the higher costs of both construction and utilisation. Mr Tony Clark, secretary of Hong Kong's Port Development Board, maintains that it would take up to 10 years hefore China's ports could pose a competitive threat because of their tangled bureaucracy, inadequate infrastructure and lack of shipping support services.

Yantian, however, has rail and road links already in place, and it will have a bonded zone, enabling it to by-pass customs procedures and operate as a trans-shipment centre. In addition, it does not suffer silting from the Pearl River. And it will be cheap.

Hong Kong operators remain confident that the cake is growing so rapidly that there is enough for everyone. Even factoring in growth in business for China's ports, the Hong Kong government has forecast that its overall port traffic will increase by an annual average of 8 per cent between 1990 and 1996.

Mr Clark said: "Looking at the amount of cargo originating from southern China, it is very clear that Hong Kong alone will not be ahle to cope. China will need mora than Hong Kong to sustain its trade."

This assumes that Hong Kong is able to maintain the capacity and efficiency of its port in the face of the new competition, but the political impasse over Terminal 9 demonstrates no such assurance.

Mr Patten claimed that if the project was delayed by just two years, Hong Kong's economy would lose HK$20bn in the decade after 1997. With tbe signing of the Yantian deal, the resolution of the Terminal 9 dispute may have hecome less pressing for either Hutchison or Beijing. For Hong Kong, the outcome remains critical.

Romania granted MFN status

By Virginia Marsh in Bucharest

THE decision hy tha US Congress to grant Most Favoured Nation atatus to Romania has normalised relations between the two countries and will belp Bucharest continne with market-led reform, the Romanian government said yesterday.

Tuesday's vote in the House of Representatives overturns a decision by Congress last year. Other countries denied MFN status include Cuba, Vietnam and North Korea. A few ex-Soviet repnblics are applying.

Since 1988, when dictator Nicolae Ceausescu unilaterally *cancelled MFN*, Romanian exports snch as furniture, glass and textiles have faced 35-90 per cent US tariffs.

Europe's culture industry seeks opt-out from Uruguay Round

'Apocalypse soon' warning

By David Gardner in Brussels

AN APOCALYPTIC future for European culture was painted by EC film producers yesterday, if the cinema and audiovisual sectors are included in the Uruguay Round of Gatt.

Figures from Europe's cinema industry lobbied the European Commission yesterday to get the sector taken out of the Round, warning that unless it is "Europe will become a Third World continent," in the words of Mr Wim Wenders, the German film director.

The Commission wants film and broadcasting to hava the shield of Gatt rules, and says it *is fighting for* "cultural specificity" for the sector, allowing some protection and continuing subsidy. France, with backing from other member states such as Spain wants a "cultural exception" exempting cinema altogether.

A range of mostly French industry groups argued yesterday that Europe would he awamped by Hollywood in a Gatt-regulated open "culture market." They pointed out that US film export revenues rose from $750m (£490m) in 1980 to $5.5bn last year, and that $3.7bn of 1992 sales were in Europe.

EC attempts to reserve a majority of screening time on television to European work has not hlunted US penetration of the EC market, they said.

Mr Wenders said the audiovisual industry would be the higgest on the planet in the next century. Europe had to decide whether its modest share would continue to exist or not, before the Uruguay Round mid-December deadline.

"There is a war going on, and the most powerful weapons are images and sound," he said. "To have a market dominated by American imagery means not only domination by American values and American ideas, but that other (EC-made) products would disappear," because of concomitant US domination of advertising.

Sir Leon Brittan, EC chief trade negotiator, was expected to discuss the issue with US trade represeotative Mickay Kantor at a new round of Gatt talks in Brussels yesterday.

US officials say they are relatively relaxed about subsidies for EC film-makers, but would not agree to quotas or other impediments to US audiovisual products entering the EC.

When the controversy was aired hy EC foreign ministers last week, Sir Leon *insisted* that leaving the sector outside Gatt would leave it vulnerable to US trade reprisals – although Europe's film and TV industry earned US revenues of only some $250m last year.

He picked up a reference from Mr Alain Juppé, France's foreign minister, to Francophone Quebec securing a "cultural exception" inside the US-Canada free trade agreement, due to be carried over into the North American Free Trade Agreement embracing Mexico. Sir Leon said this still left the Canadians vulnerable to US "301" trade legislation.

Power plant resumption in Kuwait

TYNESIDE consulting engineers Merz and McLellan are to resume work on the 2,400 MW Sahiya oil and gas fired power station in Kuwait, more than three years *after the* Gulf War halted work on the project, Chris Tighe reports.

The company was awarded the station design and project management contract in 1988, but Merz engineers were taken hostage in Kuwait at the outhreak of the war.

The new £17.5m contract from Kuwait's Ministry of Electricity and Water involves three years' work at Merz's Newcastle head office, and seven years on site. Merz and McLellan also announced yesterday it had won power station contracts worth £2.6m from Syria and Hong Kong.

Greenspan warns against cutting Fed autonomy

By Michael Prowse in Washington

ATTEMPTS by Congress to reduce the independence of the US Federal Reserve would be a "major mistake," Mr Alan Greenspan, the Fed chairman, warned yesterday. He was reacting to proposals by a congressional committee to make regional Fed presidents political appointees.

Mr Greenspan said the Fed's structure reflected a fine balance between federal and regional, public and private interests. More political control over interest rates would "impart an inflationary bias to the economy and could lead to instability, recession, and economic stagnation".

He argued that most countries were taking steps, or considering action, to increase the independence of their central banks.

Mr Greenspan did, however, concede that greater efforts were needed to lift the pace at which women and minorities were promoted to senior posts within the Fed system.

The Fed chairman was giving testimony at a congressional hearing called by Mr Henry Gonzalez, the Democratic chairman of the house banking committee. Mr Gonzalez has proposed legislation that would give President Bill Clinton power to appoint the presidents of the 12 regional Federal Reserve banks, subject to confirmation by the Senate.

The regional presidents play an important role in US monetary policy because, in rotation, they hold five of the 12 seats on the Federal Open Market Committee, the body that sets US short-term interest rates. The rest are held by the seven Washington-based Fed governors.

Under current rules, regional presidents are elected by the boards of the regional Fed banks. A majority of directors of these boards are elected by local private-sector banks.

Mr Gonzalez and many other legislators say this makes the Fed an undemocratic and unaccountable institution. It is the only branch of government where private citizens are allowed to play an important role in determining public policy.

Mr Greenspan has been careful to maintain cordial relations with the Clinton administration, which shows no sign of supporting congressional initiatives to reduce the Fed's independence.

However, Republicans are also uneasy about the Fed's anomalous structure. At yesterday's hearing, Mr Jim Leach, the ranking Republican member of the banking committee, said the present system was "indefensible". He drew attention to the Fed's regulatory responsibilities, and said it was unseemly that private-sector bankers were effectively regulating themselves.

He opposed Mr Gonzalez's proposed reform, arguing that public accountability could be assured by the less drastic step of making the Fed governors (who are appointed by the White House) responsible for appointing the regional presidents.

Mr Greenspan rejected Mr Leach's proposal, arguing that it was unwise to tamper with a system working well.

Under present rules, Fed governors confirmed the appointment of regional Fed presidents and, if necessary, could demand their resignation.

Anti-trust extension 'could increase conflict with UK'

By Robert Rice, Legal Correspondent, in New Orleans

A US Supreme Court ruling that extends US anti-trust laws to the activities of London-based reinsurers could lead to increased conflict between the UK and the US, a British trade official has warned.

At the end of June the Supreme Court ruled that US courts had jurisdiction over alleged collusive action between reinsurers at Lloyd's and US primary insurers, even though the alleged behaviour of the Lloyd's underwriters conformed to the UK's insurance regulatory regime.

Mr Edmund Hosker, who is based at the British embassy in Washington, told the International Bar Association meeting in New Orleans that the most troubling aspect of the decision was that it was a retreat from a previous position, which required US courts to balance the competing interests of jurisdictions involved before assuming jurisdiction itself.

There had been conflict between the US and UK over anti-trust issues before, most noticeably the Westinghouse uranium case in the 1970s which resulted in the UK's passing a blocking statute to reduce the impact of US anti-trust laws on UK companies.

Mr Hosker said he feared the Supreme Court decision would encourage state authorities and private plaintiffs in the US to launch anti-trust cases against foreign companies over activities which were entirely acceptable under their own regulatory regimes.

"I fear it may also reduce the incentive to co-operate with US regulatory authorities in the anti-trust sphere and could result in foreign governments making wider use of blocking statutes," he said.

The Supreme Court had indicated there was not a conflict between the UK and US in the reinsurance case, but the British government had made it clear in three amicus briefs filed with the courts that restrictions on UK reinsurers operating in US markets did create a conflict.

"If the position is reversed it is difficult to see the US not complaining," he said.

Mr Hosker said the only way to limit potential for conflict was to continue efforts to increase co-operation between US and UK competition authorities.

Ms Diane Wood, the US deputy assistant attorney general for trade policy, said Mr Hosker was exaggerating the potential for conflict over the issue.

"There were always going to be overlaps of jurisdiction, she said, but that did not necessarily mean an increase in conflict.

Family creditor could upset Brazilian debt negotiations

Stephen Fidler looks at the role of a private non-bank investor

AN IMPASSE between the Brazilian government and its fourth largest private foreign creditor – the Dart family of the US – emerged this week after Brazil rejected the family's offer to participate in the country's commercial bank debt restructuring.

The family holds around $1.4bn in face value of bank loans to Brazil, or about 4 per cent of the commercial bank debt covered by the restructuring. It describes the debt – bought at a discount in the secondary market over the last two years – as a long-term investment. The family owns Dart Container and made its fortune from the development of the polystyrene cup.

The deadlock could, if not resolved, delay completion of the accord. It also raises questions about the growing proportion of developing country bank loans now in the hands of private non-bank investors.

Restructuring agreements have for more than a decade been negotiated by leading creditor banks appointed by debtor governments sitting on a so-called advisory committee. Non-bank investors have never been asked to sit on a committee, although they now often hold more than half of the outstanding bank debt.

In a statement this week, the Dart family complained that it "was never consulted during the negotiations that resulted in the Brazil financing plan" despite its position as the fourth-largest holder of Brazilian debt.

However, from the banks and the debtor governments' point of view, the emergence of private investors may further complicate the already agonising process of debt restructuring. For one thing, such private investors are not susceptible to the persuasion from bank supervisors which has been evident in past restructuring agreements.

Brazil is the last of the big four Latin American debtors – after Mexico, Venezuela and Argentina – to be negotiating a debt reduction accord, but the deal could have an impact on future debt accords. Debt settlements for Peru and Ecuador, for example, have yet to be reached.

The dispute has arisen over the restructuring of $35bn in debt. Terms were negotiated between the government and an advisory committee of 19 banks, but the completion of the accord is still awaiting, among other things, the final agreement of the hundreds of creditors that hold the debt.

> Non-bank investors have never been asked to sit on an advisory committee, although they now often hold more than half of the outstanding bank debt of a developing country

Creditors were offered the choice between six types of financial instrument aimed at reducing the country's debt burden. Brazil negotiated the right to request changes in the eventual allocations because some instruments implied a higher cost to the country than others.

The Dart family said this week that when the restructuring plan was first announced in September 1992, they were encouraged by the Brazilian government to exchange their loans for bonds which did not carry collateral. US Treasury zero coupon bonds are to be pledged against some of the options to guarantee principal or some interest payments, and the government was worried about the cost of this collateral.

The family opted for so-called "C" Bonds, 20-year instruments which carry interest rates of 4 to 5 per cent for the first six years and 8 per cent for the rest of their lives. The difference between 8 per cent and the lower interest rates in the bonds' early years is rolled up into capital.

The Darts calculate that by choosing this option, they would save Brazil more than $200m in up-front capital costs that would have been needed to buy the collateral. Nonetheless, they were asked to shift their choice by the government. According to their statement, the Darts refused, professing satisfaction with their original commitment. This week Brazil "had seen fit to reject that commitment".

A spokeswoman emphasised that the shifting of options was voluntary. She said the family now regarded the "chapter as closed" and would expect Brazil to service its existing credits. The response from the Brazilian side is as yet unclear.

Exiled Haitian president Jean-Bertrand Aristide calling for renewed sanctions against his country to force its military rulers to honour a UN-brokered peace deal. The US has suspended plans to put 600 military advisers in Haiti after gun-wielding militants stopped a Navy ship from docking *Reuter*

Minimum wage rise warning

By Jurek Martin in Washington

THE desire of the Clinton administration to raise the federal minimum wage, restated this week by Mr Robert Reich, labour secretary, is already meeting stiff resistance from business.

Mr Reich said he was thinking of recommending an increase of 50 cents to $4.75 an hour. However, he added that some of the increment might be accounted for by new healthcare benefits for low-paid workers. The last increase, from $3.80 an hour, was in 1991.

Nearly 5m officially-employed Americans are being paid the federal minimum, or less. Mr Reich, arguing this base figure was worth 30 per cent less in real terms than 25 years ago, doubted that an increase would have any negative impact on unemployment. Organised labour has been pushing for a rise to $5.25 an hour for over two years.

However, spokesmen for small businesses, especially the hotel, fast-food restaurant and retail trades, countered that job losses were inevitable.

Guzman 'peace offer' may bring end to Peru terror

Sally Bowen on imprisoned guerrilla leader's videotape call for his followers to end their struggle

THE long war waged by hardline *Sendero Luminoso* (Shining Path) guerrillas against the Peruvian state could be drawing to a close that would have been inconceivable little more than a year ago.

President Alberto Fujimori made public at the weekend a video recording in which Abimael Guzman, Sendero's founder-leader, repeated his call for peace talks. In a script which could almost have been written by Mr Fujimori himself, Mr Guzman admitted the success of the Peruvian government's counter-subversion strategy, "especially in the area of intelligence."

Mr Guzman said his capture and that of other high-ranking Sendero leaders had raised "fundamental questions of leadership" within the organisation. The party confronted "a great and historical decision," he said. With the same "firmness and resolution" that they had embarked upon the "people's war" 13 years ago, they should now "fight for a peace accord," he said.

The self-styled "fourth sword of Marxism" (after Marx, Lenin and Mao), however, has not recanted. On the contrary, he claimed to have used classic communist concepts to "make a concrete analysis of a concrete situation."

Mr Fujimori, for his part, has repeated what he said in his address to the UN general assembly on September 30 – that there can be no negotiations, only "conversations." Mr Guzman, after all, has been convicted of terrorism and, under Peruvian law, sentenced to life imprisonment; Sendero Luminoso has never been accorded belligerent status. Concessions would be limited to a relaxation of Mr Guzman's rigorous prison conditions, which appear to have affected him profoundly.

In the video recording, the long-feared Sendero leader looked a shadow of his former combative self. Clean-shaven, smartly dressed, much slimmer and with his greying hair apparently tinted, he was filmed alongside companion and chief lieutenant Ms Elena Iparraguirre, obediently copying out his peace letter and signing it.

Although Mr Fujimori coyly refuses to confirm it, the psychological victory over Mr Guzman seems to belong to Mr Vladimiro Montesinos, the shadowy former army captain who has become the president's chief adviser. Mr Montesinos first made contact with Mr Guzman last October in the early days of his captivity when their conversations ranged over philosophy, history and politics. In recent months, Mr Montesinos has frequently been the president's emissary to the Callao naval prison.

It seems clear from the recent series of Guzman-Iparraguirre videos that Mr Montesinos succeeded in winning their confidence. Part of what Mr Fujimori called the "psychological war" against Mr Guzman included allowing the pair to celebrate Ms Iparraguirre's birthday together. Mr Fujimori himself sent a cake and a small personal gift.

Military experts interpret the two Guzman letters as a message to Sendero militants that the "sixth plan" – which commenced in January 1992 and which the captured Mr Guzman had previously urged followers to continue with – should be abandoned.

Some analysts believe the "peace offer" may be a strategy to allow the hard-hit organisation to gain time and regroup.

But, even if it is sincere, it may not be obeyed. An anonymous member of Sendero's "metropolitan committee," quoted in a Lima magazine, denounced the videos as "a government trick to deceive the people." He said the armed struggle would continue and forecast attacks in the near future against banks and selected government officials.

Within hours of the most recent video broadcast, a Sendero column attacked a village in Ayacucho province and hacked 15 villagers to death in reprisal for forming an army-backed civilian militia.

"In far-flung areas of Peru, it may take longer for pacification to come about," Mr Fujimori said.

The government is planning to modify the current "repentance laws" to encourage more disaffected Sendero supporters to surrender. Sendero expert Mr Carlos Tapia estimates some 600 militants have been killed and another 2,400 captured, accounting for about two-thirds of the group's active combatants. Few have voluntarily surrendered.

Belize to seek UK military support

By Canute James in Port of Spain

MR Manuel Esquivel, prime minister of Belize, is to ask Britain for further assurances of military support if the Central American country is threatened by neighbouring Guatemala.

Mr Esquivel, who will visit Britain between Sunday and Wednesday of next week for discussions with government officials, said he was increasingly concerned at continued instability in Guatemala, where the congress and the supreme court have rejected a demand from President Ramon de Leon Carpio that they resign.

"All this could provide an opportunity for those elements in Guatemala which always want to raise the issue of Guatemalan claims to Belize," Mr Esquivel said. "All this concerns us as it could result in the overturning of former President Jorge Serrano's recognition of Belize."

Guatemala's 130-year-old territorial claim to Belize was ended last year by a pact between the then-president Serrano and Mr George Price, the former premier of Belize, in which Guatemala recognised Belize as an independent nation.

Worries that the Guatemalan military might invade Belize in pursuit of the territorial claim led to the stationing of a 1,500-strong UK garrison in Belize. Earlier this year the British government said it intended to withdraw the garrison, but would use the facilities for military training.

The garrison has contributed significantly to the economy of Belize. Mr Esquivel said a new budget next month would take account of the impending loss of income, as well as under-estimated expenditure and over-stated revenue in the previous budget.

Guatemalan soldiers hunt rebels

GUATEMALAN soldiers have been searching for leftist rebels around the town of San Marcos after a sudden flare-up in fighting, a military spokesman said, Reuter reports from Guatemala City.

Soldiers were patrolling western Guatemala after the battles which occurred between Friday and Monday, he added. Three soldiers and a guerrilla were killed and 24 people injured in the clashes.

From Mexico, a news agency believed close to the rebel Guatemalan National Revolutionary Unit said the clashes were part of a national offensive against the Guatemalan army. President Ramiro de Leon has accused the rebels of replying with bullets to a peace plan presented to them last week.

Argentina hopeful over Falklands poll

By John Barham in Buenos Aires

THE Falkland Islands go to the polls today, with a record 25 candidates competing for the eight seats on the local council.

The elections are arousing particular interest in Argentina, which fought a 74-day war over the Falklands with Britain in 1982, and still claims sovereignty over the islands.

Mr Guido di Tella, Argentina's foreign minister, claims the elections will bring a more "enlightened" group of councillors to power who will be more willing to talk to Argentina.

However, the chances are that such hopes will be disappointed. None of the candidates, who run as individuals rather than under the party banner, is willing to have more contact with Argentina than is strictly necessary until it drops its sovereignty claim.

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Belize to seek UK military support

By Canute James in Port of Spain

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Argentina hopeful over Falklands

N-plant plan fuels row on atomic power

By Michael Smith

NUCLEAR ELECTRIC, the state-owned utility, is expected to fuel the growing controversy over atomic power today by submitting a planning application to build the country's biggest nuclear station, at Sizewell in Suffolk.

The company is to brush aside official concerns that submitting an application for the £3.5bn twin reactor will complicate the controversy surrounding the Thorp nuclear reprocessing plant at Sellafield in Cumbria, the future of whicb is under government review.

Mr Tim Eggar, energy minister, is likely to be non-committal today about Nuclear Electric'a submission, arguing that it is a decision made by the company's board but not encouraged by him.

Sizewell C would be the biggest civil engineering project in the country, providing more than 15,000 jobs during the 10 years of its construction and commissioning, according to the company.

The submission for the reactor will anger environmentalists. They believe Nuclear Electric sbould hold back until the end of the government's nuclear review. That ie due to start later this year and will examine whether further nuclear stations are necessary.

Sizewell C, the proposed plant, would have a capacity of 2,600 megawatts. That is more than twice the capacity of Sizewell B, Nuclear Electric'a other pressurised water reactor station, which is nearing completion on an adjacent site.

Nuclear Electric's claim that Sizewell C would produce electricity at 3p a unit is disputed by environmentalists, who argue decommissioning costs and dealing with waste could take the price above that and make state subsidies essential.

Confirming Nuclear Electric's submission plans Mr Bob Hawley, chief executive, said that the planning, building and commissioning process would take some years. "The earliest wa can commission the station is 2001," he said. "We do not want to pre-empt the ouclear review nor will we be abla to do so. But we believe strongly a replacement is needed for the Magnox nuclear stations which will be phased out around the turn of the century."

An application by the Central Electricity Generating Board, Nuclear Electric's predecessor, to build Sizewell B resulted in a three year public inquiry in the mid-1980s. Nuclear Electric hopes to avoid a similar delay on Sizewell C by arguing that the safety implications have already been examined in the B inquiry and another at Hinkley Point.

The economics of the project are likely to be examined in the nuclear review. The company says any inquiry into Sizewell C should therefore be restricted to general planning issues such as site access.

Environmentalists are certain to press for a more wide-ranging review.

Nuclear Electric generates about 23 per cent of England and Wales's annual electricity requiremeots and Mr Hawley says it would not expect to go much beyond 30 per cent.

Kuwaiti ministers may visit Britain to discuss BP deal

By Robert Peston

THE KUWAITI finance and oil ministers are planning to meet British government ministers to discuss the £600m in tax which the Gulf State may owe on its investment in British Petroleum shares.

"I understand they are due [in the UK] soon," said a senior Kuwaiti adviser.

The Financial Times recently reported that the Gulf State may have abused its sovereign immunity from taxation in relation to its purchase in the late 1980s of a stake close to 22 per ceot in BP.

It has received more than £600m in tax refunds on income from the BP shares to which it may not have been entitled, because the shares were purchased by the Kuwait Petroleum Corporation and were not a direct investmeot of the Kuwait state, as originally claimed.

The adviser said that it would be unwise for the UK to press for repayment of the £600m, because UK exports to Kuwait, especially defence coontracts, could be jeopardised. He said it would be better for tbe two countries to come to a "mutual understanding" on the BP affair.

However, a government official said there was no possibility of the Inland Revenoe ceasing its investigation of whether the tax is payable. "There is no way the Treasury or Foreign Office can intervene in an investigation of this kind," said an official.

The Foreign Office and the Treasury both said they were not aware that any meetings had been scheduled with Mr Nasser Abdulla Al Rodhan, Kuwait's finance minister, or Mr Ali Ahmad Al Baghli, its oil minister.

It also emerged yesterday that a oew geoeral manager is being appointed at the international investment arm of the Kuwaiti government, the Kuwait Investment Office, which bought the BP shares oo behalf of the KPC.

He is Mr Yousef Al-Awadi, curreotly managing director of the Al Baraka Investment Company, the investment arm of the big Saudi conglomerate, Albaraka.

Formerly the chief executive officer of Gulf Bank, the Kowaiti commercial bank, he takes up his post at the KIO on October 25.

UK spending on business travel set to rise by 9%

By Michael Skapinker, Leisure Industries Correspondent

BUSINESS travel expenditure is expected to show a bigger rise in the UK this year than in any other European country except Hungary, according to a survey published yesterday by American Express.

Its survey of 3,500 companies in 10 European countries found that UK business travel spending is expected to rise 9 per cent this year to £19.2bn.

This follows declines of 2 per ceot last year and 9 per cent in 1991.

Expenditure in Hungary is predicted to grow by 14.3 per cent from a low base. Spanish spending will rise by 4.4 per cent. Travel spending is expected to fall 6 per cent in Germany, 4 per cent in France, 11 per cent in Sweden and 5 per cent in Switzerland, the survey says.

The largest increases in UK expenditure are expected to occur in the energy and chemicals sector, manufacturing and retailing.

Financial services and construction are expected to show the smallest rises, while travel expenditure will decline in the transport and communications sector.

The UK has the highest proportion of women business travellers in Europe, accounting for 23 per cent of the total. Tbe proportion has doubled since 1989.

In financial services companies, 44 per cent of business travellers are women. Spain had the second highest proportion of women travellers at 17 per cent, followed by Switzerland at 14 per cent and Sweden at 12 per cent.

Just 11 per cent of senior UK managers fly first class on long-haul flights, with 48 per cent travelling business class, 26 per cent economy and 15 per cent having no fixed policy.

The proportion of first-class UK flyers is in line with the European average, but is below countries such as Spain, where 21 per cent fly first class, and Belgium where the figure is 19 per cent.

Britain in brief

Timex vote on cash settlement

Former employees of Timex in Dundee will vote today at a mass meeting on whether to accept ex gratia payments from the US based company to end the bitter ten month dispute that led to the closure of the plant. The company said last night that the initiative for the cash inducements came from the executive council of the AEEU engineering and electrical union and it had made a "constructive response".

Despite the shutdown of its Dundee operations Timex has continued to face industrial action including a global boycott from the strikers. The proposed cash settlement is an attempt to bring a close to one of the fiercest industrial conflicts for many years.

Review of rules on immigration

A study of ways of improving the efficiency of government agencies in tackling illegal immigration into Britain was announced by Mr Michael Howard, home secretary, yesterday.

It will examine the effectiveness of co-operation arrangements between the Home Office immigration and nationality division and other bodies including the police, the social security and employment departments, the National Health Service and housing authorities.

The review will be part of the government's efficiency scrutiny programme. It is due to be completed by next spring.

Moves on PR to be resisted

Any attempt to require all members of the European Community to use some form of proportional representation for elections for the European parliament would be resisted by the government, Earl Ferrers, Home Office minister, told the House of Lords.

He told the second chamber of the British parliament that the unanimity rule would apply when the issue was discussed by the EC council of ministers.

Lord Ferrers said the government saw no reason to depart from the existing first-past-the-post system, and it would not be forced into adopting a system it did not want.

The committee stage of the European parliamentary elections bill, which has already been approved by the House of Commons, was completed.

Kent business to co-operate

Small chambers of commerce in Kent are joining together to promote the county's attractions as a business centre in competition with Continental European markets.

The Kent Chamber of Commerce and Industry is intended to boost exports, improve the quality of business information and strengthen training. Kent's fragmented chamber network, just across the Channel from powerful, publicly funded chambers in France and Belgium, has long been seen as an example of the weakness of the British system.

Mr Martin Graham, chief executive of the new Kent chamber, commented: "A Spanish businessman visited one of our chambers up a dingy flight of stairs and said: 'Are you serious?'"

Soldier wins race damages

A black soldier was awarded £6,500 by an army inquiry board yesterday for suffering racial abuse from other soldiers. He received £5,000 for injury to his feelings and £1,500 aggravated damages.

The board found that Corporal Jake Malcolm's posting to the Lifeguards (Royal Electrical and Mechanical Engineers) in Germany was altered because of his colour. He is still a senior clerk with REME.

An army board of inquiry upheld his complaint. "We are satisfied from the evidence to the board that Corporal Malcolm's posting was changed because of his colour", it said.

The Central London Law Centre said it was pleased that the army had been ready to investigate and recognise the discrimination that took place but added it was a pity Corporal Malcolm had to go so far as to bring a civil legal claim to have the matter dealt with.

Oil drilling to start off Dorset

An oil drilling rig is expected to be towed into Poole Bay, off the Dorset coast, this week to start six to eight weeks of exploration in the environmentally sensitive area.

The rig, which will be about 5km offshore, will drill into a rock structure about 2,000 metres beneath the sea bed. Elf Enterprise, a joint venture between Elf of France and Enterprise Oil, the UK independent exploration and production company, stressed that "safety of people and the environment will be our first priority".

Previous explorations in Poole Bay triggered protests by environmentalists and the local fishing industry, which last year organised demonstrations against a large-scale seismic survey of the area.

Police wade through flooded residential streets in Windsor, near London. The recent widespread flooding in southern England is unlikely to have any serious financial impact on insurance companies or local authorities according to provisional indications.

Sun Alliance, the composite insurer, said: "For the people who are flooded it's terrible, but it's not widespread from an insurer's point of view." Flooding to fields, and localised property damage, do not create serious claims. Royal Insurance and Commercial Union also reported that claims were unlikely to have any significant impact, although marketmakers in the City sold composite insurance stocks all day yesterday. CU said its claims were "in tens rather than hundreds or thousands", while Sun Alliance had only received 17 flood damage claims, and suggested that the share price moves were due to "marketmakers driving through flooded roads this morning".

NEWS: UK

Leading financial institutions negotiate for substantial stake in Merrett subsidiary

US group may buy into Lloyd's agency

By Richard Lapper in London

A GROUP of US financial institutions is negotiating to acquire a substantial stake in a leading Lloyd's underwriting agency, a subsidiary of the Merrett Group, in a significant innovation for the insurance market.

The group said yesterday it had approached Lloyd's with an outline plan to transfer its underwriting business to a new agency, in which J.P. Morgan, the investment bank, and Marsh & McLennan Risk Capital, a subsidiary of the world's biggest insurance broker, Merrett employees and other investors would own stakes.

The move was designed to secure the future of the troubled agency, chaired by Mr Stephen Merrett, who resigned as deputy chairman of Lloyd's last month. It is also envisaged that tha agency will underwrite business for an insurance company, which would operate alongside the syndicates on a so-called "consortium" basis. Together tbe insurance company and syndicates would aim to maintain existing business.

The move comes in the wake of a sharp contraction in the capital base of the Merrett syndicates, following the desertion from it this year of many Names, the individuals whose assets support Lloyd's.

Mr Stephen Cane, managing director of the Merrett Group, said that the new investors would "probahly" have a majority of the new agency. He insisted the Merrett Group did not want to leave Lloyd's but conceded "this is a significant departure for a typical Lloyd's underwriting operation".

The insurance company is a "substantial and significant" US player. It could provide about a quarter of the Merrett agencies' capacity next year, Mr Cane said. More than three-quarters of the business underwritten by Merrett syndicates comes from the US.

Lloyd's said there was "nothing in the current regulatory framework which would prohibit a move of this nature, but that is not to say within a specific case we don't have to go through it do it with a fine tooth comb".

Marsh and Morgan agreed earlier this year to form a new Bermnda-based company to reinsure business accepted by the Merrett syndicates. The sudden decline in the fortunes of Merrett Group had jeopardised the success of that plan.

The group hopes to conclude negotiations on tbe arrangements by the end of the month.

Malcolm Rifkind, the defence secretary, on a visit yesterday to helicopter manufacturer Westland in Yeovil, Somerset, has recently clashed with the Treasury over expenditure for his department

Radio chief produces pirate decoders

By Richard Donkin and Raymond Snoddy

THE CHAIRMAN of a Birmingham commercial radio station has hnilt np a multi-million pound hnsiness making and supplying pirate decoder cards for a wide range of subscription satellite channels in Europe.

Mr Chris Cary, a former plrate radin broadcaster nn Radio Caroline, runs an electronics company in Camberley, Surrey, which is offering unanthorised decoders for channels using the EuroCrypt security system. He describes himself as a consultant.

The channels inclnde Scandinavian channels TV 1000 and the three channels of TV3 plus Filmnet, the English-language film subscription broadcast to the Low Countries, and Filmmax, another film subscription channel. Hard core pornography is available at night on some Scandinavian channels.

Supplying decoder cards for TV 1000 and the TV3 channels is almost certainly a criminal offence in the UK. Both are based in the UK and send their signal to the broadcasting satellite from the UK.

Mr Cary said yesterday he was selling Buzz FM, his Birmingham-based radio station, in a £500,000 deal.

Ulster Unionist leader rules out early Dublin meeting

By Tim Coone in Dublin

MR JAMES Molyneaux, leader of the Ulster Unionist party, has ruled out an imminent meeting with Mr Dick Spring, Irish foreign minister, to discuss the Hume-Adams peace initiative, despite strong interest in Dublin for such a meeting.

Mr Molyneaux yesterday said: "I already know what's in [the initiative]. It is a grandiose scheme calling for the self-determination of the whole of Ireland and designed to go over the heads and the wishes of the people of Nnrthern Ireland. We don't have to sit on the edges of our chairs to hear the detail."

The UUP is not demanding to be hriefed on the initiative and Mr Molyneaux has no plans for an imminent meeting with Mr Spring. This contradicted reports in the Irish media that Mr Molyneaux was already in Dublin. "I am flattered to discover that I am the first mortal to appear in two places at once. I have heen working a long time to achieve that," he said.

The reports appear to be fnelled by a keen interest from the Irish government to talk to the unionist parties.

The Department of Foreign Affairs in Dublin said: "We would very much look forward to a meeting with the unionist leadership if it could be arranged. The invitations are on record. It is a matter for Mr Molyneaux and others to pick the appropriate time."

Mr Molyneaux did not rule out the possibility of a meeting at a later stage.

The Irish government was briefed last week on the Hume-Adams peace initiative by Mr John Hume, leader of the Social Democratic and Labour party. Details are being kept secret for fear that what is now considered a nascent peace process could be halted by publicity before all parties have been given a chance to consider the proposals.

Unionist interest in the initiative was indicated earlier this week by the Rev Martin Smyth, UUP MP for South Belfast, who said that Sinn Féin would be accepted by the UUP at the negotiating table if there was to be a total cessation of violence. What remains to be clarified are the terms on which the IRA would be willing to abandon its 25-year military campaign.

Mr Ken Maginnis, the deputy leader of the UUP said yesterday that a total cessation of violence would require the handing over of all arms caches "by the IRA and other paramilitary groups".

Sinn Féin may open Brussels office

Sinn Féin is planning to open an office in Brussels to muster European support for the Republican cause.

It will be the first Sinn Féin nffice in Europe nutside Ireland and Britain, reflecting increasing hopes that the 25-year conflict can be settled with the help of EC pressure.

Sinn Féin chairman Mr Tom Hartley told a news conference in Brussels: "It is very obvions that the Community hrings together many politicians from Europe. Sinn Féin would like to tap into that. We would like to see Europe involved in doing something to resolve the Irish prohlem."

He added: "We are here to encourage European parties and governments to apply to the conflict in Ireland the same degree of interest which they have shown to other conflicts.

"International opinion can do much to help end hostilities and to assist in the development of national reconciliation and economic regeneration."

The Brussels Commissinn has deliberately avoided involvement in disputes involving member states which are considered no business of the Community.

No date has been fixed for the opening of the office, bnt Mr Hartley said it was a top priority for the organisation.

September new issues by borrowers total £3.1bn

By Andrew Jack

NEW ISSUES by borrowers in the UK for September totalled £3.1bn, according to monthly figures released by the Bank of England yesterday.

UK borrowers' new issues denominated in sterling were £2.8bn, while sterling issues by overseas borrowers were £527m. The figures reflect the snhstantial reliance being placed on capital markets, and are important in determining the Bank's estimates the demands on the money supply.

The largest issue last month was the £405m rights issue by brewery group Scottish & Newcastle. Other large rights issues included £333m from Cadbury Schweppes, £307m from Rolls Royce, and £215m from Tarmac.

Lothbury Funding No.1, a vehicle for National Westminster Bank, announced a three tranche issue of mortgaged-backed floating-rate notes for £300m, and the Japan Development Bank launched a fixed-rate sterling bond issue of £200m.

Actual gross issues by UK borrowers during September were £2.4bn, with redemptions of £1.2bn and net issues of £1.3bn. Gross issues in sterling by overseas borrowers were £357m, with net issues of £337m.

Tory backbenchers set to resist defence budget cuts

By David Owen

Conservative backhenchers will next week attempt to stop further deep cuts in UK defence spending in the drive to meet public spending targets for the next three years.

Several Tory MPs are expected to use a two-day Commons debate on this year's defence white paper to say the armed forces are already stretched.

This will follow the publication on Monday of a report by the Commons defence committee whicb is expected to be critical of some of the the white paper's plans.

Sir Nicbolas Bonsor, Conservative chairman of the committee, said this week he was "extremely alarmed" by reports that more defence cuts might be in the offing.

This new expression of backbench discontent follows clashes hetween Mr Malcolm Rifkind, defence secretary, and the Treasury over demands for billions of pounds of additional cuts from the £23.5bn defence budget. Mr Rifkind is demanding a full-scale review of the armed forces if the Treasury refuses to drop its demands.

Even if he beats off all the Treasury's demands, defence spending is set to drop by 1995-96 to its lowest level as a proportion of Britain's gross domestic product for decades.

Though the white paper contained a series of new cuts, soma long-awaited measures were put off. These may now be examined by EDX, the cabinet committee charged with sharing out the spending cake. They include plans for an air-launched nuclear missile and a decision on whether to upgrade existing tanks or buy more Vickers Challenger 2s.

MoD pension payments have been outside the public spending control total from April. This makes the option of encouraging staff to retire early more attractive since the wage bill could be trimmed while the corresponding increase in pension outlays would not be counted.

● Defence suppliers may in future contract to provide staff as reservists, under proposals by the Ministry of Defence.

Companies would undertake to provide a service, such as maintaining equipment, for an agreed payment. They would have to ensure that enough of their employees became members of the volunteer reserves, to allow them to be deployed.

● Unions are seeking talks with ministers following over the 500 redundancies planned at Devonport naval dockyard in Plymouth, Devon.

TECHNOLOGY

Andrew Fisher on the wealth of engineering talent in Moscow

Pick of the Russian software crop

Doing business in Russia might not seem the most attractive of propositions just now, let alone employing experts there to develop a core part of your business.

But one US computer company, Pick Systems, has found that the skills of software writers in the former Soviet Union have enabled it to expand its product range more quickly and cheaply than if it had relied solely on the facilities at its Irvine, California, headquarters.

"We couldn't afford to put the same amount of resources in the US for cost reasons," says Denis Hill, a Pick director. The company, which developed computer systems in the 1980s for the US Army in Vietnam, employs nearly 60 software engineers (two-thirds of its total) in Moscow, and plans to double this by spring.

Unlike some other international computer concerns, Pick is not simply using Russian software experts to develop applications for local use. Pick software is widely used in Russia, operating at some 200 sites in Moscow and St Petersburg, one of its chief functions being to keep an eye on tax payments.

The company wanted to do more than this, however. Having begun to employ Russian experts four years ago when they first became available after the Soviet empire collapsed, it then decided to put them to work on developing its basic operating software – designed before the emergence of open systems such as Unix – and adding new functions. These are now about to come onto the market.

"We are seeing the first fruits of our labour," says Glyn Yarnall, UK sales director, about Pick's Moscow development centre. It will soon move from its cramped offices in the Olympic stadium.

Pick's Russian employees, whose average age is about 30 – "these are fast track, really bright young guys," says Hill – have developed both a graphical user interface (to simplify on-screen instruction) and a structured query language (enabling easier access to databases) to strengthen the company's software range. "Without Moscow, this would have cost more and taken longer," adds Yarnall.

Because of their academic background and the fact that, in the communist days, they had to do without western computer equipment and thus work out their own systems and solutions, Pick'e Russian employees tend to have a stronger scientific leaning than those in Irvine, reckons Hill. "These people have a really solid education in software engineering."

Although costs are rising rapidly in Russia, they are still significantly lower than in the US, apart from office rents. Hill says the cost of the Moscow operation is around $25,000 (£16,500) a month; in the US, the figure would be around $500,000. With the benefit of modern communications techniques, it is easy for Irvine and Moscow to keep in touch electronically.

Obviously, the company will not always be able to choose from among the best of Russian engineers, whose skills have also been used by companies such as Apple Computer.

Pick's first crop of recruits included software engineers who had worked on Soviet aeronautical, military and satellite programmes, as well as in computer research. "It is a blunt fact that if we didn't take them on, someone else would have," says Yarnall. "But you can't always get that calibre, so you also have to go for the second division people."

Despite the temptations of life abroad, Pick's Russian employees are generally content to stay where they are.

"They're not always keen to move," notes Hill. "They weren't used to mobility under communism. But they have enormous opportunities in Moscow, while in the US it is tougher to compete."

Having just returned to Irvine from Moscow, Hill says the Pick employees there – for the past six months, including no one from the US – worked right through the latest crisis. "They're living the adventure of what's going on in their country."

Turn on, tune in and print out

An experimental interactive television service is set to alter our viewing habits, writes **Louise Kehoe**

Television viewers in Orlando, Florida, will be invited to turn on, tune in and print out next year, when Time Warner launches its US interactive cable television services network.

As an adjunct to television shopping, "movies on demand", video games, information services and a host of other programming planned for interactive television, Time Warner will provide 4,000 subscribers involved in its Orlando I-TV trial with specially modified Hewlett-Packard colour printers.

Linked to the TV cable, the printers will enable users to make paper copies of TV screen images – Madonna in a striking pose or a family snapshot from a home video. The core technology for this new service was derived from HP's new line of "Vidjet Pro" printers for video production professionals. Connected to any video source, such as a television or laser-disc player, these printers store and reproduce individual frames, or sequences of frames, on plain paper at a fraction of the cost of current methods. The "home media printing service" will also let cable subscribers print out news and information selected from menus on the TV screen.

The printer will enhance I-TV services such as "TV shopping". Using a remote control device, the subscriber could select the "Shopping Mall" section of Time Warner's I-TV network. A menu would enable the viewer to select a car based on a choice of priorities such as model, price, features or manufacturer. Next choice: "info-mercials" about cars that might suit. Still interested? Press a button on the remote control and a colour brochure giving details of the car is printed out. A few more clicks and the subscriber can request a test drive. A local dealer will receive the message – via his printer.

Printers might also help to solve a thorny problem facing developers of I-TV services. Consumer research suggests that when given the ability to choose from a broad range of programming, the majority of viewers will not watch TV advertising.

Of more than 3,000 people interviewed by H&M Consulting, a California market research firm, 73 per cent said they do not want advertising to impinge upon their interactive viewing. However, without advertising revenues, the cost of I-TV would be well above the average $12 a month consumers expect to pay for interactive services, says Mark Macgillivray of H&M.

By printing out discount coupons or offering further information in the form of brochures, order forms or price quotations, the "home media printing service" can provide an incentive for viewers to watch advertising. And because viewers will select which commercials to watch, advertising can be tightly targeted to prospective customers.

The Orlando trial will provide valuable consumer feedback on all aspects of interactive television. HP acknowledges that its agreement to link printers to the cable TV service is experimental. One question is whether people will accept a printer in their living rooms. "The printer will have to be very small, and cost no more than $300-$400 [£197-£263]," says Jim Olson, general manager of HP's new video communications division.

For HP, the leading manufacturer of non-impact printers, the I-TV trial also represents an opportunity to explore the potential of "home peripherals" – products that blend home entertainment and computer technologies.

Another question will be whether home computer owners need an extra printer tied to their TV sets. It might be more efficient to link the TV cable to an existing PC printer. The next step in the confluence of computer and consumer electronics technology may be the "home network" – linking the PC in the study to the TV in the living room.

Planning for a speedy recovery

Joia Shillingford on how NatWest got its computers back on their feet

The night before the Bishopsgate bomb in the City of London, Mary Jackson, head of technology at the NatWest Tower, came back from holiday. Next day, Saturday April 24, her mobile telephone rang.

The building was in darkness, she was told, and 10 of her staff were inside. "We thought it was just a routine bomb scare and were irritated by the thought of our weekend maintenance work being delayed by two hours," says systems manager Geoff Taylor.

He looked into the computer room. The computers were exposed to the elements and some equipment, including a Wang minicomputer and a mid-range IBM AS/400, had been damaged. But most were still running. Since then, Jackson and her colleagues have been involved in both technology change and disaster recovery.

She first contacted 20 of her staff and asked them to meet her on Sunday. From the building, they removed important files such as a printout with details of all computer equipment allocated to each person in the tower.

Most equipment had survived. But dust and glass had rained on to the computers, getting between cracks and under keyboards. Loss adjustors said they would have to be removed, taken apart, cleaned and re-assembled.

Personal computers and substitute Wang systems had to be borrowed from other parts of NatWest and suppliers. Voice and data lines were installed and re-routed through the bank's alternative City communications centre.

By Monday, all critical staff were provided with a telephone and PC. At first, most only had access to standalone PCs. But Friday night's Wang back-up tapes (moved off-site early on Saturday morning as usual) were installed.

Since then, Jackson's department has worked overtime to organise removal of computers, tapes, telephones and photocopiers from the tower to spare NatWest offices nearby in Drapers Gardens.

Each batch of machines has been transferred to another floor and labelled for despatch to the site where its former users now work. A final assessment of computer damage has yet to be made. Some of the Wang equipment was damaged, but the bank was already moving to PC-based local area networks (Lans) running the Windows graphical user interface and a mixture of Microsoft and Lotus applications. The bomb accelerated this process.

The tower's computer environment has now been duplicated at Drapers Gardens. But Jackson's team cannot relax. Taylor and other IT staff will work until Christmas to supervise the introduction of new Lans at Drapers Gardens as more users move in.

The introduction of PC-based technology has involved a steep learning curve for Jackson's staff and users. "Because of the bomb we've been forced to make a momentous leap from old systems to new." Users who worked on Wang systems in the tower, and with PCs or standalone Wang terminals at their temporary accommodation, have transferred to Microsoft Windows applications at Drapers Gardens.

No one receives any other training until they have been trained on the Windows interface. "We make it very hard for them to say no to training because we offer it when it's convenient for them: day, night or even Sunday," says Jackson.

Despite the rushed timetable, users' acceptance of change has been remarkable, says Jackson. "They know they have no choice but to adapt because the old system has gone. If we'd wanted to duplicate what they had before, we would have had to cable Drapers Gardens for Wang, then re-cable for LANs."

Meanwhile, a new computer disaster recovery plan is being developed, perhaps using different NatWest data centres as back-up. "We had a disaster recovery plan before but recent experiences have focused our minds on becoming the best in the business," says Jackson. "We now have a hand-picked disaster recovery team made up of people with specialised knowledge who also do other jobs. And we have a detailed but highly confidential, plan which we are about to test."

PEOPLE

Human planning seeks boardroom recognition

The world of human resource management – still known as personnel in some quarters – is often a vital alement in corporate life. Slotting round pegs into round holes is never as easy as it sounds; yet the personnel department and its leadership is not the centre of gravity for many companies.

But that is changing, according to Chris Brewster, director of the Cranfield school of management'e centre for European human resource management, who has just been created professor in the same faculty.

"What is happening is that human resource management has always been important for companies, but now it is becoming much more visible. As companies have to become more cost effective, they have to learn how to manage their human resources much more cleverly than in the past," says Brewster.

Brewster'e research shows half of all companies in Europe now have a human resource director on the board; he believes that percentage will increase in the next few years.

It is certainly an area of corporate life where there currently seems to be a flurry of activity in the UK.

Don Young, formerly director of organisation and personnel at Thorn EMI, has joined REDLAND as its director of human resources; David Garth, previously with Sears, has moved to the newly-created post of head of human resources at TARMAC, reporting to group chief operating officer John Lovering; Raymond Bainbridge is taking over as head of personnel of HONEYWELL'S European coutrol compouants divisiou; Andrew Mayo has moved at ICL from being its European personnel director to the company's director of buman resource development; and Marc Dufour is moving from the US to become group personnel director for NORTH WEST WATER.

British Telecom's group personnel director, Richard Worsley, is taking a three year secondment from BT to become director of the Carnegie Third Age programme, which, among other things, seeks to promote employment and educational opportunities for people aged 50 and over.

Paul takes over as Norwich Union chairman

George Paul, 53, chief executive of Harrison & Crosfield, the agriculture and foods conglomerate, is to take over as chairman of Norwich Union, the insurance and investment group. He replaces Michael Falcon, now 65, who is retiring at the group'e annual general meeting next April, after 30 years as a director of the group.

Mr Paul, who has been a director of Norwich Union since April 1990 and vice-chairman since May 1992, has taken a keen interest in risk and insurance management, arguing that both insurance buyers and insurers themselves can much to reduce losses – and insurance claims – by implementing effective risk management schemes.

At Harrisou & Crosfield claims from fires, thefts and accidents have fallen sharply and insurance costs reduced by between 30 and 50 per cent, since the group appointed a full-time risk manager and introduced safety features such as sprinkler systems to its factories, warehouses and offices. Mr Paul also plays an active role in crime prevention work in his native Suffolk and is an advocate of greater insurance industry involvement in the area.

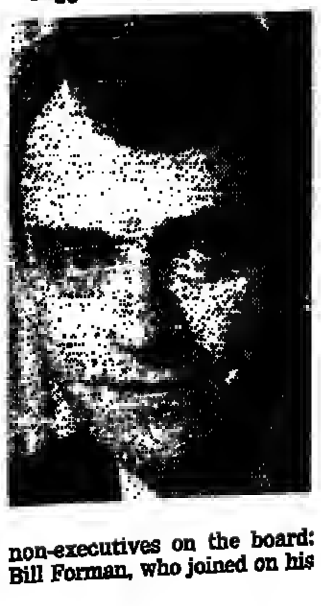
Badgerline group bags new recruit

The Badgerline gronp, comprising bus and coach operations in the south of England, Wales and west Midlands, has appointed Andy Higginson, right, as a non-executive board member. Higginson has been finance director of Laura Ashley Holdings since 1990 and was previonsly finance director of Guinness Brewing International.

Badgerline is busying itself preparing for its float on the London Stock Exchange, planned for November.

Its executive chairman, Trevor Smallwood, says that Higginson's experience of public companies was a key factor in making his appointment. Smallwood, who says that he has "been in bnses for 27 years", felt that the five executives already had sufficient knowledge of the transport business.

Higginson joins two other



non-executives on the board: Bill Forman, who joined on his retirement from Vickers in 1991, and Philip Williams, who is with Hill Samuel in Birmingham.

Badgerline started life in September 1986, being one of numerous splinters from the old state-run National Bus company, privatised as a result of the 1985 Transport Act.

Other non-executive appointments:

■ **Sir Michael Bishop**, who has been chairman of Airlines of Britain Holdings, owners of British Midland, since 1978, has joined the board of Williams Holdings as a non-executive director.

Brian McGowan, currently chief executive, has announced that he is retiring with effect from January 1 1994; Roger Carr, currently managing director, will take over as chief executive.

■ **Tony Ryan** has resigned from TRAFALGAR HOUSE.

■ **Ian Camphell**, already a director of HUNTINGDON INTERNATIONAL HOLDINGS, as chairman; **Bennie Wooley**, who previously held both posts, remains chief executive.

■ **John Jackson**, chairman of Mishcon de Reya and chairman-elect of Ladbroke, at WPP.

■ **John Hignett** as deputy chairman of TI GROUP.

■ **John Gardiner**, chairman of the Laird Group, a director of PowerGen and chairman of the School Teachers' Pay Review Body, at 3i.

■ **John McKirdy**, a retired md at Noble Lowndes and deputy chairman of the BIIBA, at The FAME GROUP.

■ **Geoffrey Birch** has retired from FROGMORE ESTATES.

Spot the rip-offs: International Distillers and Vintners has taken action against about 50 brand pirates during the past year. But fakes continue to appear in markets from southern Europe to the Pacific Rim and Latin America

Pirates who walk the plank

Philip Rawstorne reports on the relentless pursuit by companies of brand counterfeiters

Nothing demonstrates the value of brands more clearly than the frequency with which they are copied and counterfeited around the world by fly-by-night operators in search of a quick profit.

International Distillers and Vintners (IDV), the drinks subsidiary of Grand Metropolitan, has taken action against about 50 brand pirates in its international markets during the past year. There are eight lawsuits under way involving infringemeots of its Smirnoff vodka brand alone.

Guinness's United Distillers, in relentless pursuit of counterfeiters of its Johnnie Walker Scotch whisky, has also stamped on the creators of such copy-cat brands as Johnnie Hawker, Joe Worker and Johnny Black.

Hiram Walker, the Allied-Lyons drinks company, has quashed attempts to cash in on the reputation of its Ballantine's Scotch whisky in export markets by brands called Ballentye's and Ballantia. Two court cases are pending involving its brands in the UK. "A brand is costly to create and establish, but can be very easy and profitable to copy," aays Michael Leathes, legal director of IDV.

"Brands are our most important assets. Through them we communicate the quality of our products to consumers. They represent a huge investment of time, effort and money, that can ba diluted, weakeoed, eveo destroyed by those who copy them.

"Counterfeits or imitations can be sold cheaper. Their producers do not have to spend on advertising and marketing. Nor do they have to bother about the quality of the drink or the packaging. We have to be rigorous in the protection of our brands against the damage that copies can do to them."

Brand counterfeiting – the creation of facsimiles – is a criminal offence in most countries in which the drinks groups operate, and once the counterfeiters are identified is relatively easy to stop.

At the other extreme, agreed settlements can usually be quickly reached on unintentional infringements. Inver House, an independent Scotch whisky distiller, receotly changed the oame of its Knockdhu malt whisky brand to Cnoc to avoid an identity clash with IDV's Knockando.

The main problems arise from imitations which deliberately seek to deceive consumers by suggesting an affinity with a leading brand: using a similar name, or similar designs and colours in their bottles and labels.

Smirnoff's imitators, with names such as Smirnovskaya, Romanoff and Selikoff, have appeared in look-alike bottles, with labels featuring the crown, shields and other designs associated with the original.

The success of another IDV brand, Bailey's Irish Cream liqueur, has encouraged the illegal production of a host of copies, including Bailes, Teleys and Raylas, all in squat brown bottles with pastoral scenes incorporated into the labels.

Rip-off artists have translated Ouzo 12 into Ouzo 21, J&B Scotch into M&B, and Malibu coconut liqueur into Marabou. United Distillers discovered that its Gordon's gin suddenly had a new competitor labelled Garden's gin, and that in some markets its White Horse whisky brand was facing creations called Black Horse and White Housie.

Tia Maria, Hiram Walker's coffee liqueur, has been a popular target for imitations. The fakes, disguised by almost identical packaging, have included Zia Marina, Tia Lia and Bella Maria.

As a Canadian court recently affirmed, the "trade dress" of a product is entitled to legal protection. Competitors cannot trade on the distinctive identity of a rival brand.

All the leading drinks companies have specialist departments to counter such exploitation. Leathes aums up the general policy for dealing with offenders. "We stamp on them as hard as we can. Our aim is to hurt those responsible as much as possible. Tough actioo deters others."

Trademark infringements are civil offences. "We sue first and talk later," he says. "We demand damages to cover loss of profit and reputation."

In Spain last year, a court awarded multi-millioo dollar damages against the producer of a Bailey's look-alike product. Earlier this year, a Netherlands company was ordered by a St Petersburg court to destroy 100,000 bottlea of its Smirnovskaya vodka and pay substantial costs and damages.

An Italian producer of "Gilbert's gin" was forced to change the oame and the design of its labels which bore a resemblance to those of Gilbey's gin. Apart from paying costs, it has to obtain IDV's approval for its future labels.

It sometimes proves difficult to gather enough evidence to take offenders to court. Rogue drinks producers rarely keep records and often move their activities from one shell company to another.

Solving such problems requires a more unconventional approach. Corporate investigation agencies, such as London-based Carratu International, are called in to uncover the people behind the scam.

"Their inquiries often enable us to bring pressure to bear on the offenders in other ways," says Leathes. "They may uncover other offences that interest the police or tax authorities, find evidence that enables us to sue personally the directors of a rogue company, perhaps to sequestrate their homes or other property."

Steve Smith, Carratu's managing director, says that protection of brands now accounts for a large part of the agency's work. "Drinks brands are a popular target now in the Commonwealth of Independent States and other eastern European countries," he says. "Imitation products, usually two or three container loads at a time, are being shipped there from the Netherlands and Germany in particular."

But fake products continue to appear in many markets from southern Europe to the Pacific Rim and Latin America. Inadequate legal frameworks in several countries add to the difficulties of enforcing the protection of trademarks.

Leathes would like to see the European Community reinforce brand owners' security as the US has done – by making trademark protectioo an essential part of its trade agreements with other countries.

Fighting fire with fire

US tobacco groups are under attack, says **Victoria Griffith**

Faced with vocal anti-smoking lobbies and a revenne-hungry administration, the US tobacco industry has long bad reason to hone its marketing skills. Arguably they are needed now as never before.

The latest threat to the sector is the proposal for a federal tax of up to $1 (65p) a pack, a central part of the Clinton health plan.

On top of this, one of the sector's most compelling advertising figures - R. J. Reynolds' Joe Camel – stands accused by the Coalition on Smoking or Health of enticing young people to smoke. The Federal Trade Commission is reviewing a request to ban him.

All this comes on top of "Marlboro Friday", the day in April when Philip Morris took the battle to its competitors by cutting the price of its Marlboro brand by 40 cents.

The biggest change for manufacturers has been the switch to "generic" cigarettes, which hold no brand valne and sell cheaply. To the dismay of the cigarette companies, generic cigarettes now hold about 38 per cent of the market.

With margins and brand share under attack cigarette manufacturers are relying increasingly on techniques such as direct mail to reach their potential clieots. The leading US cigarette companies have compiled large databases on smokers, and target potential customers by sending free packs through the post. Another development has been the increased use of cigarette catalogue "clubs".

Every pack of Marlboro purchased, for instance, contains a redeemable "green stamp". By accumulating sufficient stamps, customers can purchase anything from binoculars to lighters.

"First, smokers are induced to smoke more of that particular brand. Second, once they have the prodncts, such as a tee shirt with Marlboro written on it, they become walking advertisements for the company," says Edward Mally, a tobacco analyst at Salomon Brothers in New York.

Another effective promotional technique has been R. J. Reynolds' introdnction of a "flavour seal" in its Winston packs. Made of polyester film, the seals have boosted market share of the brand by capitalising on the cigarettes' freshness.

Advertising – which has seen its share of total advertising/promotion expenditure fall from abont a third five years ago to 20 per cent today – has not completely lost its effectiveness. The Marlboro man is one of the most widely recognised advertising symbols. Two years ago researchers at the Medical College of Georgia found that children between the ages of three and five were as familiar with Joe Camel, the cartoon figure representing Camel cigarettes, as they were with Mickey Mouse.

Cigarette companies still evade bans on television and radio advertising, by sponsoring sports events and purchasing billboard space at televised events.

The anti-smoking forces, though, are now are producing sophisticated television commercials themselves.

Growing nnmbers of advertising vehicles are refusing to promote cigarettes. Houston and New York, for instance, have banned them from public transport. The anti-smoking lobby is also gaining success in curbing cigarette marketing aimed at women and minorities.

On the road costs driven higher

Keeping a UK sales representative on the road costs an average of £731 a week, excluding management and office overheads, according to survey* figures published today by the Reward pay research group and the Chartered Institute of Marketing.

The figure is an increase of 4.3 per cent on a year ago – in line with the average pay rise of 4 per cent for all sales and marketing staff over the past 12 months, says the report.

Increases of 2-5 per cent for all staff are being forecast for the coming year by participants in the survey.

A typical sales rep receives a salary of £14,878 a year, plus a bonus payment of £2,000 or commission payment of £4,500.

It costs £9,612 to keep the rep's car on the road, a further £2,212 for meals and accommodation and £941 for a home telephone and other miscellaneous costs.

Car telephones are expensive to run, according to the survey: 28 per cent of reps oow have them, but they add nearly £2,000 a year to running costs.

The median total remuneration for a marketing manager, meanwhile, is £35,350; the figure for a senior prodnct manager is £29,000, according to data drawn from CIM's 24,000 members.

Over the last four years Vauxhall is reported as having overtaken Ford in selling company cars to sales and marketing managers.

The most popular engine size in company cars remains 1800cc-2000cc.

Diane Summers

Sales and marketing rewards 1993-94. Price to CIM members £180, others £220.

From The Reward Group, Reward House, Diamond Way, Stone Business Park, Stone, Staffs ST15 OSD.

Cinema/Nigel Andrews

Struggles for liberty

What does it mean when a director gets an attack of Serial Cinema? Is it bad for him? Should we try to help? It happened with Eric Rohmer, whose "Moral Tales" were followed by "Tales And Proverbs" and "Tales Of The Seasons" and whose movies seem more and more like rent-a-theme fables with dwindling variations. Now Poland's Krzysztof Kieslowski, having made ten films under the sign of the Decalogue, promises three movies with colours as titles beginning with – that hue again – *Blue*.

Since each film in the French-made trilogy will also deal with a different *tricouleur*-inspired theme – in *Blue* it is "Liberty" – we feel attacked by tags and flags, labels and gift-wrapping even before the credits start.

But after the annoyance, the masterpiece. After the signposting, a film about living without signposts. A car crash; a husband and daughter killed; and a survivor wife (Juliette Binoche) who wakes in hospital to a world bearing down on her with bright lights and antiseptic concern.

Soon she is taking the approved path to rehabilitation. She exorcises her grief – or tries to – by watching a video of her loved ones' funeral. She swaps her manorial country pile for a town flat. (Her husband was a famous composer.) And she takes with her an iconic memento of her past life – a blue-crystal chandelier – like an inoculation to cure her of the disease of memory.

But care-counselling is not the film's business. The man who made *A Short Film About Killing* and *The Double Life Of Veronique* is not European cinema's answer to Claire Rayner. Kieslowski soon hits Mlle Binoche with bereavement's aftershocks. A litter of baby rats appears in her box-room – in mocking parody of a vanished family life. And her dead husband rattles his chains from the grave: first when she discovers a lost music manuscript whose notes pursue her on the soundtrack even after she has thrown it in a dust-van, later when she discovers her husband's bygone mistress.

Kieslowski's genius – and he may be the only European director now earning that word – is for shuffling his deck of images so that animate and inanimate become indistinguishable. Vivified by subtle colour filters or skewed camera angles, trivial objects assume an eerie life: like the blue lollipop, once her daughter's, that Binoche sucks on like a memory-teat. Meanwhile human faces turn into mystery objects. Not least Binoche's own luminous, frozen features, crossed by tiny shadows of emotion like a snowbound mountain-face patrolled by changing clouds.

If *Blue* is about liberty, it is about the struggles we go through to achieve that liberty. Liberty from memory, from grief. Liberty from the panaceas of the well-meaning. Above all, liberty from the false comfort of lives we try too neatly to compartmentalise, only to find that warmth, want and chaos keep flooding in at the edges.

THREE COLOURS BLUE (18)
Krzysztof Kieslowski

TRUE ROMANCE (18)
Tony Scott

RISING SUN (18)
Philip Kaufman

THE SECRET GARDEN (U)
Agnieszka Holland

THIS BOY'S LIFE (15)
Michael Caton-Jones

★

And in a good movie week, chaos will come again. *True Romance* is not so much a film, more an advanced case of *delirium tremens*. But see if you can resist its pop-art vitality. The paths of blonde call-girl Patricia Arquette and lonely comics-store assistant Christian Slater cross in Detroit one night when she spills her popcorn over him in a cinema. He says to her "Accidents will happen." She says to him "What a wonderful philosophy". Consequence: they are soon fleeing to Los Angeles with a suitcaseful of stolen cocaine.

I have left out four murders and sundry plot twists. But you get the point. The movie, directed by Tony (*Last Boy Scout*) Scott and written by Quentin (*Reservoir Dogs*) Tarantino, is the dramatic equivalent of having half-a-dozen buckets of popcorn spilled over you. Everything you can think of happens: love, death, violence, substance-abuse, dreams of escape, ghosts of Elvis Presley. More to the point, they all keep happening simultaneously.

Fantasy crashes into reality. Sex gets enmeshed in plot development. (Marvel at the gymnastic love bout that takes place in a roadside phone booth while we are still trying to untangle the significance of the recent phone call). And comedy is mixed with brutality. This last cocktail comes in the film's most brilliantly unnerving scene. Mafia smoothie Christopher Walken is elegantly, surgically insulted by interrogation victim Dennis Hopper (Slater's father) before Walken finally walks into the camera lens (Hopper's P-o-V) to blow his head off.

As a writer/director duo Scott and Tarantino are pulp cinema's answer to Losey and Pinter. Tarantino provides the gnomic dialogue, Scott the ornate visuals. Gasp at the gilded, smoke-textured interiors and the light-sculpted close-ups; or at the gorgeously overblown "balcony scene" on a poster-dominated fire-escape outside Slater's flat, where the couple sit swirled about by street steam and by their own reveries of escape.

Do not be deterred by the violence. There was worse in Webster and Ford, and Tarantino is nothing if not a New Jacobean. Do not be deterred either by the fact that *True Romance* was a box-office flop in the US. Originality is not always a crowd-pleaser; nor is a movie style that gobbles up different moods like a child let loose on a chocolate box.

★

Much of *Rising Sun* is shot at night in the pouring rain. This must be an irony: a comment on modern America's view of modern Japan as not so much a sunrise neighbour, more a nation determined to rain on the US's parade. As we know, Tokyo has already annexed much of Tinseltown. In this screen version of the yellow-peril bestseller by Michael (*Jurassic Park*) Crichton, Japan is about to close its jaws around a giant US computer company – with what consequences for national security! – when Sean Connery and Wesley Snipes arrive on the scene. Sean is an Armani-dressed East-West liaison veteran. Wesley is a short-fused black cop learning Japanese on his car cassette-player.

They arrive to solve a murder: the late-night strangling of a call-girl on the Nakamoto boardroom table. They stay to unravel one of Those Plots, in which conspiracy spreads all the way from L.A. to Washington.

Director Philip Kaufman has spent his career trying on different genre hats from sci-fi (*The Invasion Of The Body Snatchers*) to high-tone erotica (*Henry And June*). But the thriller hat fails to suit him. It slides off the back of his head, revealing a cranium empty of ideas on how to make stage-Japanese supporting characters live; how to stop his three screenwriters attaching messages to their dialogue ("We're giving the country away"); or how to fool us into believing that Connery and Snipes are more than another tired variant on the rookie/oldtimer partnership of a million cop films.

But we still prefer it to *The Secret Garden*. Here the body of a famous children's classic is found dead on a boardroom table: that of Warner Brothers. Means: genteel strangulation. The culprit is director and former Wajda scenarist Agnieszka Holland (of *Man Of Iron*). Determined to avoid Frances Hodgson Burnett's Victorian sentimentality, she manages to avoid every other tolerable emotion too. There is glum photography, a glum heroine (Kate Maberly) and a glum garden, in which rabbits ruminate and ruins glower. Stars, though, will happily be stars. As the snooty Yorkshire housekeeper Maggie Smith is Maggie Smith, for which relief some thanks.

Robert De Niro in *This Boy's Life* is Robert De Niro. We enjoy – for a while – the Seattle accent and the overdressed-masher routine, as he courts single mother Ellen Barkin prior to making life hell for her and her son Tobias. Scene: a remote company town in Washington State. Time: 1950s.

The real Tobias (Wolff) wrote the memoir about life with bullying Stepdad from which British director Michael Caton-Jones of *Memphis Belle* draws this film. Well, not draws: rather pulls it protestingly forth like a thread from an overlarge sweater. The plot seems too slight, the characters at once overwrought and under-occupied: familiar signs that the original book was richer in emotional texture than movie-friendly drama and has caused collapsed inspiration at the studio story conference.

Juliette Binoche and Benoit Regent in Krzysztof Kieslowski's 'Three Colours Blue'

Concert/David Murray

Berlioz resuscitated

Studying in Paris, Berlioz abandoned medicine for music when he was 19. A year later he composed a *Messe solennelle*, a full-dress Mass with orchestra, which got just two performances. He became dissatisfied with it, and said that he had burned the score – though be cannibalised some of the music for use in later pieces. Until last year, that was all anyone knew about it; but now we know otherwise. In Westminster Cathedral on Tuesday (and on BBC-2), the *Messe* was beard again in a revelatory performance.

Last year Frans Moors, a Belgian part-time organist, discovered a full score – in Berlioz's own hand – tucked away in a chest, in the organ-gallery of his Antwerp church: utterly unexpected. It seems that the young composer had made a present of this manuscript to a fellow music-student, a violinist from Antwerp. The musical world was alerted at once, and the bonour of performing tha *Messe* anew went to John Eliot Gardiner with his period-band *l'Orchestre Révolutionnaire et Romantique* and his Monteverdi Choir, who brought it to London after touring Bremen, Vienna, Rome and Madrid.

Sometimes "long-lost" scores *do* turn up: early Handel and Verdi, for example, and bits of youthful Wagner, Debussy and Ravel. This Berlioz rediscovery far outweighed any of those finds, for it is not just a juvenile fragment, or an uncut version of something we knew only in a truncated form. On the contrary: it is music strong enough in its own right that we would be excited by it now even if Berlioz had died without writing another note – *and* it is a treasure-trove of musical ideas that he recycled and extended in the now-familiar works of his maturity.

In our century, the only comparable discovery that comes to mind is fairly remote: the resuscitation of Beethoven's original *Leonore* opera (never actually "lost") for modern audiences who knew only the *Fidelio that it eventually* became. But the raising of *Leonore* to a higher power was just a specially rich example of Beethoven's thirst for expressive pithiness and concision, like the development of the late quartet-music that can be read in his sketchbooks; the Berlioz case is different.

The young Frenchman had always yearned to create grand, astounding works. His precocious *Messe* was planned on a towering scala, astonishingly original – and remarkably successful, if uneven. Nothing much like Beethovenian "symphonic argument" figures in it (nor is there much in later Berlioz); rather, each of the 14 sections of his *Messe* would be vitalised by some terrific, unheard-of musical idea, or several of them. And so they were; with a little hindsight, it is easy to hear why the first Paris audiences should have been astounded.

The best ideas would be retrieved in his *Benvenuto Cellini* opera (*passim*), in the *Symphonie fantastique* (the plaintive strings of the "Scène aux champs" come straight from the *Gratias* bere), in the great *Te Deum* and the apocalyptic Requiem. Even the buge "Dies irae" fanfares of the latter stemmed from the *Messe solennelle* – without the supernumerary brass, but so vivid here with tha brazen quacks and snarls of Gardiner's "period" ophicleide, buccin and serpent as to make an equally hair-raising effect.

Everything in this performance was *fresh-eared in the best* Berliozian spirit, superbly prepared, searchingly musical. Perhaps the vague cathedral acoustic was unfair to the cultivated solo bass Gilles Cachemaille, who sounded soft-grained in his fiercer declamations; but the high-register soloists Donna Brown and Jean-Luc Viala made their confident marks, and the Monteverdi Choir were marvellous in every detail.

Those of us who beard it all on the spot prided ourselves about what mere BBC-2 couch-potatoes were missing: the bomb-scare in Victoria Street, the consequent detours, confusions and delays, *the drenching rain. On any other* occasion, Gardiner's account of Verdi's four *Pezzi Sacri* in the first half – piercing, uncannily well-tuned, and dramatised phrase-by-phrase to a rare Expressionist standard – would have earned several paragraphs of awe-stricken praise.

Theatre/Andrew St George

'MSM' by DV8

MSM at the Nottingham Playhouse is dance theatre about men having sex in public lavatories. It takes its title from the psychologists' term for men who have sex with men, and its material from 50 interviews collated by the Physical Theatre Company, DV8. It represents a joint production between the Nottingham Playhouse and the Royal Court Theatre. At 95 minutes, the piece outstays its welcome, all gurgling cisterns and chance sexual encounters.

The action pieces together observations, confessions, stories and anecdotes from the world of "cottaging" where men meet sexual partners in public lavatories. The dank brickwork and ecrid disinfectant bring promise of momentary satisfaction. The show starts with a man *loitering outside*, while *above and* behind him, naked men appear in slow erotic entwinements. The stage opens into the lavatory set.

The design (Michael Howells) manages to make the cubicles and dripping taps more than stage machinery. It allows the seven actors to emerge over or through tiled walls, to hang upside down or stretch languorously against the cool black partitions. The staging stays unpredictable; panels open for a leg, hand or head to pop through into the action. The porcelain hardware moves around, enabling the players to station themselves ready for the baffling and subtle courtship manoeuvres.

The stories engage to a degree; *but because they relate the inter*viewees directly, they are sbort on the psychology of motivation: "I'm so desperate," says one 35 year old, "I run to get there quicker; I'm disgusted with myself; I have sex with complete strangers." The play never asks why. Another nameless character says: "Cottaging is ninety per cent waiting; if you have patience, you can have a lot of fun; it was an escape from a two-dimensional existence ... it was exciting." In which case, some existence, some excitement. Another says: "my best experience was in a cubicle in Torremolinos", seeming sad ratber than funny.

MSM is appropriately choreographed, with sensual slow figures *and hanging movements* which stretch the male torso the wey Renaissance painters did to women. The physical ection remains tense, controlled and pent up. The director Lloyd Newson concludes with a requiem sequence suspended high over the stage.

But the play never makes clear whether these men are to he praised for their courageous bonesty, or pitied for their addictive weakness. It lacks political edge, never outlining the laws against sex in pnblic places, and only briefly touching on the health issues involved in massive promiscuity. *MSM* also needs the psychological edge it claims in the programme notes, preferring to shock with *How?* rather than ask with *Why?*

MSM tours through December 4 to: Edinburgh (Traverse Theatre, 031 228 7404), Glasgow (Tron Theatre, 041 552 4267), Bristol (Wickham Thaatre, 0272 303216), London (Royal Court Theatre, 071 730 1745), Zurich (Theaterhaus Gessnerallee, 212 1220) and Munich (Marstall Theater, 49 892 1851)

Dance Umbrella/Clement Crisp

Batsheva's 'Mabul'

To open tbis year's celebration of the newest choreographic ideas, Dance Umbrella offered us the Batsheva Company from Israel. The Umbrella has sheltered some pretty odd enterprises in the past, but Batsbeva is, even in thesa circumstances, lika the ace of trumps.

The troupe is directed by Ohad Naharin, who is choreographer of the 75 minutes of *Mobul* (no *indication as to meaning*) which was on view on Tuesday night at the Queen Elizabeth Hall. The ingredients are the seven men, seven women of the company in less than flattering outfits of slate grey vests and shorts; some singing (Naharin as a none too convincing counter-tenor; the rest of the cast mellifluous); chatter, and fish-wife yapping from the girls; a scream of horror – at least one of the dancers is also a critic; a collection of Euro-dance incidents of little interest; musical snippets ranging from Vivaldi, whom Naharin treats in cavalier fashion, to pop-racket; a *bleak stage*; a *hamster*. (*This last* creeps over the head and torso of a man while he gently writhes – as if dancing were not difficult enough on its own).

The effect, as you may gather, is prodigiously tiresome. The Batsheva troupe has gone through various mutations since it came into being 30 years ago as a Martha Graham offspring. In its latest incarnation, Naharin's *Mabul* gives it a neurotic, aggressive manner. Activity is, at best, inexplicable; at worst, and there is a good deal of this, it aims for brutish effect. The grumpier clicbés of today's *European* dance are put *through* their paces yet again. Bodies slam to the floor; routines of post-modern aridity show the cast as a dull ensemhle; movement is dead-pan, dead-end. Amid the gloomy, shadowed lighting – a William Forsytbe speciality for the Frankfurt Ballet – the action has the ill-suppressed ferocity and all-too-evident frustrations that I associate with long waits at Moscow Airport during the bad old days.

Were ona, at the and of 75 minutes, to feel thet some image, some personality, had made a positive (let alone pleasing) effect, then the piece might be justified. I found it leaden with its own self-importance, inexpressive. Nor does it flatter its performers, wbose style appears without finesse or brilliance, thongh there is a virtuoso outhurst of body-slapping. In a programme note, Naharin says he feels blessed hecause he was not born "as a Bedouin woman who has had her clitoris removed". I do not think this is any excuse for making *Mabul*.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Concert Hall Tomorrow: Ivan Fischer conducts Michael Hampe'a staging of Idomeneo, with Keith Lewis, Hans Peter Blochwitz and Cynthia Lawrence. Sat, Sun: Fischer conducts Budapest Festival Orchestra in works by Bach family and Mozart. Saturday, Sun, Mon: Limon Dance Company. Next Wednesday: Hungarian Gypsy Concert Orchestra (01-728 2333/ 01-722 5511)

■ VENICE

The *next* opera production at the Fenice is Der Rosenkavalier, opening on Oct 31, cast led by Felicity Lott, Anne Sophie von Otter, Artur Korn and Barbara Bonney (041-521 0161)

■ BARCELONA

Gran Teatre del Liceu Tomorrow, Sun: Uwe Mund conducts Willy Decker's 1991 Cologne production of Der fliegenda Holländer, with Franz Grundheber and Lisbeth Balslev. Oct 27: first night of Giordano's Fedora, starring Mirella Freni (tel 412 3532 fax 412 1198) **Palau de la Musica** Next Thurs: Kiri te Kanawa. Next Saturday: Pinchas Zukerman. Nov 1: Myung-Whun Chung conducts *Orchestra of La Scala Milan* (301 6943)

■ BOLOGNA

Teatro Communale Tomorrow and Sat: Claus Peter Flor conducts orchestral works by Beethoven. Next week'a concerts are conducted by Christian Thielemann. The opera season opens on Nov 27 with Puccini's Trittico (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

■ FLORENCE

MaggioDanza presents a programme of Tchaikovsky ballets tonight, tomorrow, Sat and Sun at Teatro Verdi (055-212320). Oct 22, 23, 24 at Teatro Communale: Georges *Prêtre conducts orchestral works* by Webern and Mahler (055-277 9236)

■ LONDON

THEATRE

● Tamburlaina the Great: Antony *Sher plays* Tamburlaina, the shepherd whose remorseless ambition takes him to the height of power. Marlowe's masterpiece of lyrical storytelling transfers to London in Terry Hands' RSC production, after a sell-out season in Stratford. Opens tonight (Barbican 071-638 8891)

● Machinal: Fiona Shaw stars in Sophie Treadwell's 1928 classic of the American avant-garde, about a woman who tries to break free from the pressures of a mechanistic world. Directed by Stephen Daldry in the Lyttelton. Opens tomorrow (National 071-928 2252)

● David Hare Trilogy: a three-part examination of major British institutions, presented in the Olivier Theatre by a single company of actors directed by Richard Eyre. The Absence of War, Murmuring Judges and Racing Demon can be seen individually – or all on the same day on Oct 23, 30, Nov 13 and 20 (National 071-928 2252)

● Flight: Bulgakov'a drama of the Russian civil war, described through the eyes of a survivor in a style both hallucinatory and blackly humorous. Translated by Michael Glenny, directed by David Graham-Young. Just opened (Lyric Hammersmith Studio 081-741-2311)

● Oleanna: David Suchet and Lia Williams in Harold Pinter's Royal Court production of David Mamet'a controversial play (Duke of York's 071-836 5122)

● Moonlight: Harold Pinter's first full-length play for 15 years, starring Ian Holm, Anna Massey and Douglas Hodge. Till Oct 30 (Almeida 071-359 4404)

● Medea: Dianna Rigg repeats her acclaimed performance in the Euripides tragedy, in a West End revival of the Almeida production (Wyndham's 071-344 4444)

● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962.

OPERA/DANCE

Covent Garden The Royal Opera's repertory consists of a new production of Meistersinger conducted by Bernard Haitink and staged by Graham Vick, with a cast led by John Tomlinson, Thomas Allen, Gösta Winbergh, Deon van der Walt, Nancy Gustafson and Anne Howells; and revivals of Mozart'a Mitridate (with Jochen *Kowalski, Luba Orgonasova and* Ann Murray) and Yevgeny Onegin (with Dmitri Hvorostovsky and Catherine Malfitano). The Royal Ballet premieres new ballets by Matthew Hart and William Tuckett on Oct 23, and Kenneth MacMillan'a Romeo and Juliet is revived on Oct 29 (071-240 1066)

Coliseum English National Opera's repertory consists of Graham Vick'a production of The Rape of Lucretia with Jean Rigby, a new production of La bohema conducted by Noel Davies and staged by Steven Pimlott and Jonathan Millar's Il barbiere di Siviglia, with Alan Opie as Figaro. Le nozze di Figaro is revived on Oct 28 (071-836 3161)

Queen Elizabeth Hall Tomorrow, Sat, Sun: Siobhan Davies Dance Company (071-928 8800)

CONCERTS

South Bank Centre Tonight: Leonard Slatkin conducts Philharmonia Orchestra in European premiere of Nicholas Maw's new Violin Concerto (Joshua Bell), plus works by Haydn and Stravinsky. Sat: Franz Welser-Möst conducts LPO in concert performance of Tristan und Isolde, with Heinz Kruse and Elizabeth Connell. Sun: Marek Janowski conducts RPO in Schubert, Mozart and Bruckner, with piano soloist Alexei Lubimov. Tues: Jiri Belohlavek conducts LPO in works by Petr Eben, Dvorak and Martinu, with violin soloist Christian Tetzlaff. Wed: David Willcocks conducts Philharmonia Orchestra and Bach Choir in Delius, Vaughan Williams and Walton. Wed (QEH): Eva Randova and Nash Ensemble in songs and chamber music by Czech composers. Oct 21, 27, Nov 4: *Alfred Brendel (071-928 8800)*

Barbican Tonight: Daniele Gatti conducts LSO in works by Beethoven and Mahler. Tomorrow and Mon: David Atherton conducts London Sinfonietta in two programmes, including new works by Gorecki and Theo Verby. Sat: Goldsmiths Choral Union in Haydn'a Tha Creation. *Sun: Michael* Tilson Thomas conducts LSO in Debussy, Sibelius and Bartok, with violin soloist Anne Sophie Mutter. Next Wed: Stephen Kovacevich piano recital (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight: Grupo de Musica Alfonso El Sabio presents a programme of Gregorian chant. Tomorrow, Sat: Sergiu Celibidache conducts Munich Philharmonic Orchestra (repeated in Seville next Mon and Tues and in Valancia on Oct 22 and 23). Tues: Spanish Chamber Orchestra plays baroque concertos (01-337 0100)

Teatro Lirico La Zarzuela Mon: Juan de Udaeta conducts Jonathan Miller's ENO production of Rigoletto. Oct 27: Martha Graham Dance Company opens a two-month dance season (01-429 8225)

■ PRAGUE

● Alexander Rahbari conducts Czech Philharmonic Orchestra tonight and tomorrow at Dvorak Hall in works by Richard Strauss, Penderecki and Stravinsky, with viola soloist Kim Kashkashian. Oct 20: Czech Nonet plays Beethoven's Septet and Schubert'e Octet. Oct *21, 22: Andrew Litton conducts* Strauss and Tchaikovsky (02-286 0111)

● For pre-booking and information about other events, contact city centre ticket agencies (Sluna, Wanceslas Square 28 in the passage, tel 02-261602, or Bohemia, Na Prikope 16, tel 02-228736, or Melantrich, *Wenceslas Square* 38 in the passage, tel 02-228714) and theatre box offices. Tickets can be ordered from abroad through Bohemia Ticket International, Salvatorska 6, 11000 Prague 1 (fax 02-231 2271)

■ ROME

Daniele Gatti conducts the Accademia Nazionale di Santa Cecilia in Verdi's Requiem on Oct 21, 23 and 24, with soloists Aprile Millo, Florence Quivar, Sergei Larin and Roberto Scandiuzzi. Carlo Maria Giulini conducts orchestral concerts on Oct 30, 31, Nov 1 and 2 (06-676 0742)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Natherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Raports 0930
Sky Newa: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: *Financial Times* Reports 1330; 2030

Portrait of a prince among pygmies

BOOK REVIEW

In July 1982, George Shultz assumed office as US secretary of state. Leonid Brezhnev was then general secretary of the Soviet Communist party. Following the Soviet invasion of Afghanistan in 1979 and the crackdown on Solidarity in Poland in 1981, US-Soviet relations were virtually non-existent. Moreover, the Soviet Union was on the diplomatic offensive, trying to split Nato over deployment of intermediate range nuclear missiles on European soil. And many were questioning the market model for economic development.

But when Shultz left office in January 1989 the opening of the Berlin Wall was only months in the future.

In Turmoil and Triumph: My Years as Secretary of Stata, Shultz provides an indispensable account covering, occasionally to the point of tedium, those aspects of American foreign policy with which he concerned himself. It is illustrative of how the approach of the US has changed that Shultz, a former Treasury secretary and professional economist, appears virtually to have ignored the economic aspects of international relations.

There is an ongoing debate among commentators and scholars about whether tha Reagan administration stepped up military spending in order to drive the Soviet Union to bankruptcy. But there is no indication of such a plan in Shultz's memoirs. Indeed, Shultz and the CIA believed an unrestrained arms-race would favour the Soviets.

Because Sbultz is writing of the end of the cold war, his treatment has been compared with the magisterial account of the beginning of that struggle by Dean Acheson, the most influential secretary of state since the second world war. But the comparison with Acheson's Present At The Creation is unfair to Shultz. For, although his writing is serviceable, Shultz is unable to match the style and sense of drama of his predecessor.

During Acheson's period, the US had to develop a wholly new strategy to deal with an

TURMOIL AND TRIUMPH: My Years as Secretary of State
By George P Shultz
Scribners, £25.95, 1,184 pages

expanding superpower. The response included the doctrine of containment, the Marshall Plan and Nato. Shultz dealt with a simpler situation – negotiating the end of a conflict with a declining superpower. Shultz was required not to be creative hut to show mastery over competing US agency heads. Once Acheson received Truman's hacking, the interegency struggle was over. But Reagan's support did not settle a dispute; rival barons would continue their obstruction.

In Shultz's portrayal, the chiefs of the various agencies concerned with foreign affairs were, usually, dishonest, cut off from reality, or both. William Casey's CIA was, justifiably, distruated by Shultz because of its ideological hlindness, outright lying and lack of competence. The agency insisted Gorbachev did not want to change the Soviet Union or that, if he did, he could not. The national security adviser, William Clark, is dismissed as having a limited grasp of substance. His successors – first Robert McFarlane, then John Poindexter – are described as having intentionally misled the secretary at state. Casper Weinberger, secretary of defence, generally opposed all negotiations with the Soviet Union.

Contrary to CIA analyses, Shultz believed the Soviet Union was declining and that negotiations with it could be fruitful. The National Security Council staff's answer to the question of contacts with the Soviet Union was "ever a resounding no". Shultz considered the president "a prisoner of his own staff". Yet Shultz ohtained the president's approval for moving forward – over the opposition of that staff, the secretary of defence and the director of the CIA.

Shultz tempers loyalty to his president with fidelity to the facts. He praises Reagan's "visionary ideas", such as the strategic defence initiative, hut he reveals e detached president, devoid of analytical ability, who believed what he wanted to believe. "He would go over the 'script' of an event in his mind" and, once that script was mastered, that was the truth; no fact, no argument, no plea for reconsideration could change his mind.

A large portion of Shultz's account focuses on the Iran-Contra affair. Here, Shultz is entitled to, and claims, a great deal of credit. There is no doubt he opposed arms for hostages. Almost alone among the president's men, he recognised there had been a "rogue operation" which posed "an immense constitutional threat". Nonetheless, a detailed review in the New York Review of Books concluded that Shultz's account of Iran-Contra was hopelessly "distorted" and "untrustworthy".

Charles Hill, Shultz's former executive assistant, in what was aurely an authorised response, asserted the reviewer failed to understand "that Shultz confined his narrative to *what he knew or was told at the time* and excludes information or any evidance which came to light after a decision or event occurred". According to Hill, this makes Turmoil and Triumph "a unique, irreplaceable and unchallengeahla historical document, as it reveals a reality that 'memoirs' invariably obscure: decisions of statecraft must be taken on the basis of partial and sometimes erroneous reports".

But the book gives no indication that it is confined to what Shultz was aware of at any given time. If Mr Hill is correct on Shultz's approach, the reader has not been given fair warning that Shultz's account of external events may or may not be accurate.

On many occasions Shultz threatened to resign in response to the manoeuvrings and inadequacies of colleagues. But he resisted this grand gesture. We can be grateful that he soldiered on. His judgment was much needed.

Daniel Davidson

The nuthor is n lawyer in Washington who served on the National Security Council in the Johnson and Nixon administrations

ECONOMIC VIEWPOINT

The folly of fussing about UK deficit

By Samuel Brittan

Those whom the gods wish to destroy they first make mad. Any god observing the so-called UK economic debate will conclude that the self-destructive wish is intense. Fortunately for the British economy its performance depends much less on politicians and commentators than often supposed.

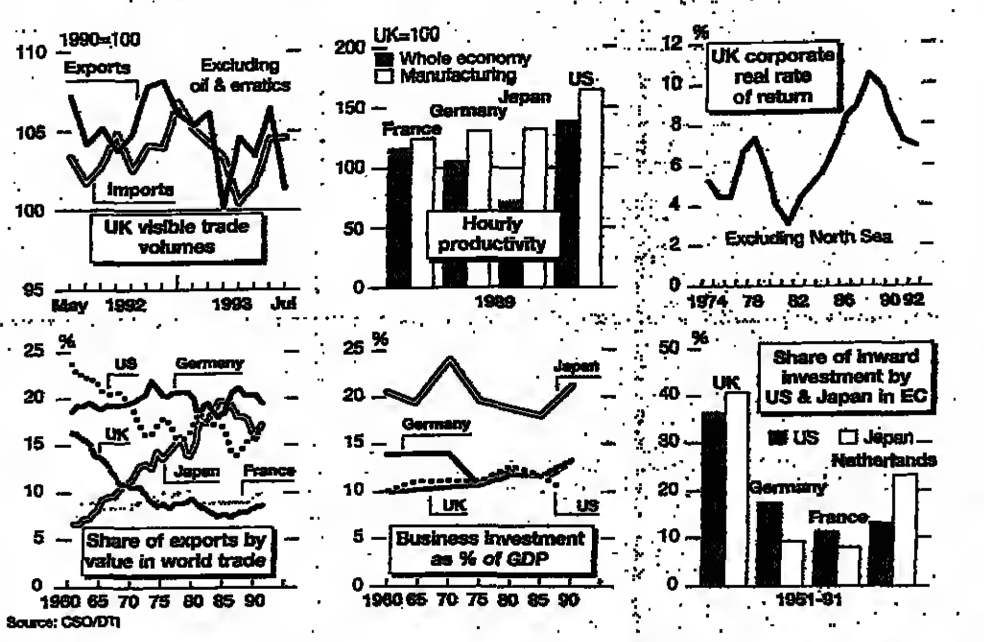
The merchants of gloom have enjoyed some genuine bad news in the Industrial Production Index. It is best to take the manufacturing sector alone – simply to remove the vagaries of North Sea oil output. Clearly, manufacturing production in tha three months to August was well down on the previous few months. Its behaviour lends credence to much slighter signs from out-of-date and unreliable trade figures that UK exports are being seriously hit by the European recession. Even if the UK recovery is still continuing, it has lost some of its wind.

What, however, would someone from Olympus think if, in the face of these contractionary pressures, the British government depressed homa demand further by tax increases in the sacred name of cutting the hudget deficit? Other governments are being given the sama advice. We thus could be on the verge of a vicious circle of insanity, in which country A raises taxes or cuts government spending because of its hndget or balance of payments deficit, thereby aggravating the deficits of countries B, C and D which make cuts in their turn. Am I the only Keynesian left to perceive the folly of this process? (My own break with Keynesian orthodoxy came on very different issues.)

Nor is the folly confined to the tax side. The one common theme of all UK assessments is how precarious any recovery still is in building and construction. Yet the Treasury apparently regards the sector as a soft target and is choosing this moment to try to withdraw concessions on local authority and housing corporation expenditure.

Is there no one prepared to say that the analogy between the national budget and a family one is more wrong than right, and that the function of a national budget is precisely to offset the bias of private households and companies: namely to move into surplus when the private sector is in a spending mood and to go into deficit when the privato sector is in a saving one? The time

UK versus its competitors



horizon over which the public sector needs to come to an appropriate balance – which is not zero – stretches over many more years than would apply to a family or company.

The Treasury response would be that if tax increases proved too contractionary, they could always be offset by interest rate cuts. The real paperback memoirs just published (Nigel Lawson's) show that the official Treasury's instinct has been to go for too low interest rates and too high taxes. The leopard has not changed its spots.

The danger of cutting interest rates is that it might depress the exchange rate – depending on what else was happening in the world. The Treasury does not have freedom to do just what it likes on the interest rate front. Anyone who thinks that the long-term ties linking world inflation, the exchange rate and British inflation have been severed by leaving the European exchange rate mechanism, has a shock coming.

A necessary reminder has been provided by the less favourable inflation indicators, which should not be in the least bit surprising except to those who were misled by the headline figures of the Retail Prices Index. Producer output inflation (excluding foodstuffs) has risen for five consecutive months, and now stands at 3 per cent compared with a year ago. The RPI, excluding mortgage interest payments, now stands at 3.3 per cent compared with a year ago.

These are still astonishingly low figures after a 12 per cent devaluation of sterling and are only possible because of the world recessionary climate and the pressure on UK pay and productivity resulting from two years of ERM membership. The most encouraging factor is that, as the Treasury points out, wage costs have fallen by the largest amount since records began in 1960.

Why put all this at risk with extra indirect tax increases, which will come on top of the nearly 1 per cent addition to the Retail Prices Index already in the pipeline next year from Norman Lamont's deferred tax rises?

It may at this stage be too late to advise Kenneth Clarke, the chancellor, to rethink his tax increasing plans. So much political capital has been invested in them that the markets might well take it as a weakness if they were shelved.

The longer term

It is refreshing to move from these follies to a memorandum obtainable from the Department of Trade and Industry. This has the unfortunate title of *Competitiveness* but is in reality a survey of UK long-term performance. A few of its charts are reproduced here.

They refute much of the widespread gloom and doom. Productivity for each hour worked is only slightly higher in Germany than in the UK. In Japan, it is a good deal lower. Only in the US – where there is also much gloom-mongering – is productivity decisively higher. It is true that the UK lags more in manufacturing, which accounts for a fifth of the total economy.

Business investment, for which the economic establishment has been crying out for so long, is in fact as high as in the US and Germany. The gap here is only with Japan, which is not necessarily a model.

The fall in the share of UK manufacturing exports in world trade dwindled to a trickle in the mid-1970s (just when the Labour government was castigated for going "cap in hand to the International Monetary Fund"). It came to an end in the early 1980s – which is one reason for taking the balance of payments problem with a pinch of salt. The UK has also obtained the lion's share of inward investment, not only from Japan but the US as well. There has been no space for another chart showing the collapse of the strike weapon in the British workplace.

Perhaps most important of all, and some evidence of the Thatcher government's supply-side reforms, is that the return on capital has improved so much: even in the current recession it is almost as high as it was in the *boom* of the late 1970s.

Interestingly enough, the main weakness which emerges from the DTI paper is one where the Treasury may be presumed to have had an influence. Inflation was not only higher in the UK in the 30 years to 1990 than in all main partner countries except Italy; but the year-to-year variation in inflation was higher as well. This is demonstrated in more detail by a Bank of England Working Paper.* Fluctuations in output, due to demand shocks, were also greater in Britain than in most other countries, if one accepts the Bank authors' analysis.

Whether the switch-back developments represent official stop-go or hyperactive efforts to avoid stop-go is impossible to say. In any case, such fluctuations were, together with inflation, the main preoccupation of the British economic talking classes (*mea culpa*) for most of this time. Perhaps one should end with Adam Smith's observation: "There is an awful lot of ruin in a nation," which means that a country can put up with a great deal of folly in its short-term management.

**No. 13, Temporary Cycles or Volatile Trends? by G Sterne and T Bayoumi*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Public dressed up as private

From Mr Rhodri Morgan MP.

Sir, Yonr correspondent John Willman (October 7) effectively summarised the problems now looming for the government in its attempt to implement its Private Sector Initiative. This so-called "big idea" for the 1990s is intended to allow private finance and private sector expertise to he brought in to build roads, railways, hospital car parks, etc – all previously public sector preserves.

However, the government's experience of trying to keep the private sector to a promise to provide 20 per cent of the funding for the Juhilee Line to Canary Wharf and London's Docklands is no advertisement for the Private Sector Initiative.

The government claims now to be in a position to give the go-ahead for the Jubilee Line because the £400m private sector component of the total cost of the Jubilee Line has now been agreed with the administrative receivers of Canary Wharf and the creditor banks.

When you look closely at what had heen agreed, however, it was clear that no such private finance had heen found. The "front-end" component of the £400m had been reduced to £160m, which is fair enough. Nobody is really interested in money that you have to spend after the year 2000.

The £160m, however, has not in tbe main come from the private sector at all. Some £96m of it is coming from the European Investment Bank. All of the European investment Bank's money is government-guaranteed. That is why it is available at a cheaper rate than private risk-bearing finance would be in the international capital markets.

The government's Private Sector Initiative, if it follows the Canary Wharf-Jubilee Line precedent, is really a classic piece of window dressing. The puhlic sector is simply renamed as the private sector, when it suits.

More power to the Jubilee Line elbow as far as I am concerned, but please let's not pretend that it is being financed hy the private sector.

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Tories must take blame for unemployment

From Mr Hugh McCartney.

Sir, Martin Wolf is mistaken ("Something's gotta give", October 2) with his claim that "it is untrue unamployment in the 1990s represents a specific failure of Tory Britain. The UK has not done worse than continental economles Labour so much admires".

I hold no brief for any political party, but I must point out that Britain has been tha only country in the Community that is completaly self-sufficient in the various forms of energy. Today's Tory government must take responsibility for the mass unemployment and massive imhalances in both finance and trade after 14 years in office.

In addition, it is wrong to make such a dubious comparison, bearing in mind the immeasurable effects of Germany's decision to unite, which has damaged its economy and that of its neighbours so badly.

It cannot be gainsaid that, with all its advantages of energy and having curbed the misused power of the unions, Britain should be leading the European Community in prosperity instead of floundering in debt and disunity.

Hugh McCartney,
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How NHS bulb-changing activities came to light

From Mr Andrew Greene.

Sir, Discussion of the current NHS light bulb saga, in the media and elsewhere, is revealing a misunderstanding.

NHS staff and managers are finding that exhorting people to work harder and faster when they are already fully stretched merely erodes morale, and any gains in one department are obtained at the expense of other departments.

The light hulh changing story, which applies to most other simple maintenance activities, is typlcal. Such examples exist in hospitals all over the world.

They are only turning up now because some hospitals, mainly trusts with progressive managements, are starting to take a long, hard look at the way they carry out their work, not just at how well they do what they have always done.

So we should give those hospitals credit for re-engineering their work habits, and urge the rest to do likewise.

Change should actually eliminate unnecessary work, not just allow the same old tasks to be performed better or faster.

It can he a gold mine for the NHS, as it is proving in hospitals around the world. And it can he shown to cut patient staya, reduce waiting lists, improve atandards of care, ease the work of staff, and give much better customer service to patients.

While they by thamselves are not going to solve the problem, the NHS and the trusts at least deserve credit for what they are trying to achieve.

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The Channel tunnel and competition

From Prof Richard Harrison.

Sir, The impact of the Channel tunnel on the logistics industry ("Opinion divided over tunnel", 5 October) may well be disputed. What *is* clear is its minor, anticipated impact on company and industry competitiveness in those regional markets whose relative accessibility is most likely to he affected.

A multi-sectoral study of the competitiveneas implicationa of the tunnel has recently been completed by the Centre for Management Research at the University of Ulster.

Interviaws with some 150 manufacturers in Northarn Ireland, sonth-east England, France and Belgium make it clear the tunnel, and the logistics options it provides, will have little impact on companies' inter-regional competitiveness. This is as true for peripheral companies serving southern England and European markets as for companies located in those markets.

Non-price factors, notably product quality and design, and aervice reliability, will continue to dominate.

What is particularly striking, and ultimately worrying in an assessment of the long-term competitiveness of UK industry, is the reliance of continental European companies competing in north European and UK regional markets, on design, technical ability and quality for competitive edge.

UK companies remain reliant on straightforward price competitiveness. In this context, the opening of the Channel tunnel is an irrelevance, which may deflect attention from more fundamental concerns.

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Dangers of loss of charity tax status

From Mr Peter M Brown.

Sir, The Charity Commission has made it clear that charities can only campaign as pressure groups on issues where they have direct experience as care providers.

It thus seems unlikely that the recent report, recommending a division between voluntary operations providing local or centrally funded care and charitiee with no agency income, will provide the expected impetus for pressure group and campaigning activities.

As care-providing charities offer an alternative delivery system to local or central government units – which are effectively operating tax-free – it will seriously restrict voluntary agencies if they have to price their services after losing charity tax status.

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Uncle Sam in retreat

ONCE THE Soviet Union disappeared, the US was left in sole possession of the cold war battlefield. The machinery of the United Nations was at its disposal. The world looked, with varying degrees of hope and anxiety, to see what use it would make of its victory.

Inevitably a debate broke out among the American "foreign policy community". Some favoured a unilateral assumption of world leadership, using American power to promote good and punish evil, recruiting allies where available but never sacrificing the country's freedom to decide for itself when and where its power should be used. Others stressed the need for a multilateral approach, placing American power at the service of the world community and using it only for purposes approved by a broad international consensus, in conformity with international law. A third school sought to downgrade foreign policy altogether, arguing that the disappearance of the Soviet threat permitted America at last to lavish attention on its many domestic problems.

Mr George Bush was somewhere between the first and the second schools, and his successor is somewhere between the second and the third. Not himself, strictly speaking, an isolationist, Mr Bill Clinton had no compunction about exploiting popular resentment against Mr Bush's apparently exclusive concern with foreign policy; and he would not have been elected had not Mr Ross Perot, with a much more crudely isolationist message, taken a large share of Mr Bush's vote.

Once elected, Mr Clinton recruited many foreign policy specialists to advise him, most of whom inclined towards the multilateralist school of thought.

Underlying ambivalence

Yet, partly because they are not confident about carrying either the public or the president with them, there remained an underlying ambivalence. The US wanted to work *through* the UN and other multilateral institutions, but always on the assumption that it would be in the lead – not only politically, but also in the sense of having command of any combat operations in which its troops were involved.

This version of multilateralism is hard to sustain, because it means asking something of the US's partners which the US itself is not prepared to grant. It also leads to confusion about where the responsibility for policy decisions actually lies. In Somalia, many UN officials feel they have been effectively commandeered as extras in a film produced and directed by Americans. Yet US policy-makers have blithely put the blame on the UN for things that have gone wrong.

Serious resistance

That things *have* gone wrong neither side now seriously disputes. But the damage extends far beyond Somalia itself. The whole notion that the UN can bring order into parts of the world afflicted by chaos has been discredited. The remarkable success of the simultaneous, but much more carefully planned, and much more genuinely multilateral, operation in Cambodia has been eclipsed. To much of the world the UN has been portrayed as a mere tool in the hands of a blundering and arrogant superpower, instinctively inclined to tackle all problems with a show of military force, yet ready to back off as soon as it encounters serious resistance. To the US public, the UN has been proved a dangerous will o'the wisp, luring idealistic American soldiers to a humiliating and pointless death.

The result has been a loss of nerve among the multilateralists in the State Department, the Pentagon, and the National Security Council, and a reassertion of Mr Clinton's own instinctive reluctance to get bogged down in complex foreign policy issues. Already, when he addressed the UN general assembly last month, he was clearly multiplying the conditions that had to be met before the US would involve itself in further peacekeeping or "peace-making" operations. The chances of US troops being sent to Bosnia, never very great, are now virtually zero. From now on, the US is unlikely to risk its forces in any conflict where there is not a direct and more or less self-evident threat to its national interests. Those who believed the cold war would be followed by a period of Pax Americana, worldwide or even in Europe, need to think again, and urgently.

Innovation in Europe

THE FUTURE of the European Community's collaborative research policy, long promoted by Brussels as the key to technological innovation and industrial competitiveness, is in doubt. Germany, Britain and France are baulking at the Ecu13bn in funding proposed for the next five years. If they stand firm, the Council of Ministers may be drawn into political confrontation with the European Parliament.

As the EC's biggest paymasters, the three governments are motivated chiefly by financial considerations, while the Parliament's overriding interest is in testing the expanded institutional powers conferred on it by the Maastricht treaty. These circumstances are hardly conducive to constructive debate on what the policy has actually achieved, and whether it merits further support.

The evidence is far from conclusive. It is hard to be sure how far joint programmes such as Esprit have yielded commercial results, since they mainly support generic research, not the development of products for market. Most independent observers agree, though, that they have helped increase the flow of knowhow by stimulating contacts between academics and industry across borders.

However, the programmes have conspicuously failed to prevent the Community's deficit on high-technology trade from widening further in the past decade; neither have they saved its indigenous computer and semiconductor manufacturers from near-terminal decline. That these products are still made in Europe is due largely to local investment by US and Japanese companies, much of it prompted by EC trade barriers.

Wrong targets

This dismal record neither invalidates the case for EC research funding nor implies that more cash would have produced a better outcome. The problem is that policy has been directed at the wrong targets. Too much money has been squandered on failed prestige projects such as high-definition television and the Jessi microchip scheme, intended to nurture "infant industries" and equip European industrial champions to compete on world markets.

That has repeated the error of national policies which relied on state-backed investment projects to foster big technological breakthroughs. Insofar as these have produced any usable products, the only buyers have usually been government monopolies, which were often the projects' sponsors in the first place. Rarely have such policies helped companies compete on open markets.

More important still, EC policy has failed to remove the biggest constraints to innovation. Research and development has commanded so much attention partly because it is the only element in the innovation process which can be easily identified and acted on by policy. However, it is only a measure of input. Its commercial value depends on how effectively it is converted into industrial output.

Japanese techniques

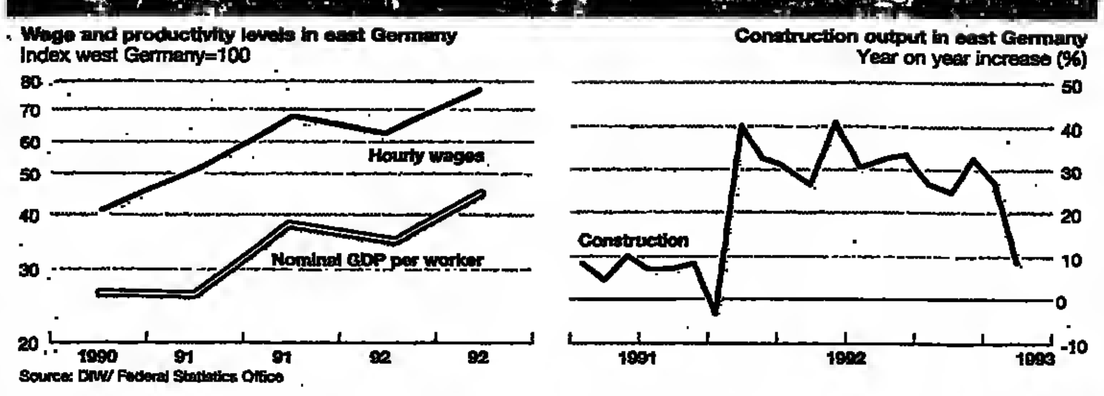
That is a task for which companies are uniquely responsible. The rise of Japan's export industries in the past 30 years owes much to their effectiveness in assimilating technology originated abroad. Their ability to do so has relied on highly integrated product development and manufacturing systems which have encouraged company-wide involvement in the innovation process.

Though European manufacturers have applied Japanese techniques in their factories, few have yet extended them throughout their business. That is true not just in electronics and information technology. Pharmaceuticals excepted, companies in many other sectors have handicapped innovation efforts by allowing big gulfs to develop between their central research laboratories and production and marketing divisions.

The current emphasis in Europe on new management concepts designed to enhance performance by tightening links between corporate disciplines is an encouraging sign that renewed efforts are being made to catch up. EC and national technology policies can help by investing in the science base, encouraging the dissemination of knowhow and raising skill levels. But only by its own efforts can industry ensure these assets are put to productive use.

A painstaking restoration

Improved industrial competitiveness is crucial for east Germany's economic recovery, says **Judy Dempsey**



The government of the east German state of Saxony is carefully restoring the Frauenkirche in Dresden, one of Germany's most beautiful baroque churches, bombed by the British in February 1945 and left in ruins for four decades. Work is expected to last until 2006.

Three years after German unification, a similar process of slow restructuring is taking place in the east German economy.

The Bundesbank, in its latest monthly report, has recorded the first sign of sustained growth, with manufacturing – hardest hit by the radical upheavals of the last three years – finally showing rising orders and production.

But compared with the Frauenkirche, the reconstruction of east Germany is less balanced and less secure. While east Germany started from a much lower base, it has, like west Germany, suffered from the unfavourable global economic environment. Also hitting production has been the rapid introduction of the D-Mark and the collapse of markets elsewhere in eastern Europe and the former Soviet Union.

Large-scale transfers from west Germany, totalling around DM180bn (£73bn) this year, have been needed to make up the gap between what east Germans spend and what they earn. Total east German demand is almost double domestic output as measured by gross domestic product. If east German living standards are to be maintained, funding of this magnitude – amounting to about 5 per cent of west German GDP – will be needed for the next decade or so.

At least, though, the east German economy is now growing. In 1992 growth was 7 per cent and is expected to be about the same this year.

Particularly important in sustaining that growth has been the buoyancy of the construction industry, even though the rate of increase has slowed recently. A third of 1993's transfers from west Germany will be channelled into infrastructure projects. The impact is obvious in the improved quality of roads, the water network and telecommunications.

Also showing fast growth in the last three years have been family-based workshops, representatives of the *Handwerk* craft enterprises which are common in west Germany. Economic liberalisation created both a demand and supply of small-scale businesses and 570,000 such enterprises have been set up since unification. The Association for German Craftsmen, which represents these businesses, believes they contribute about 7 per cent of east Germany's total output – but, because of difficulties in measuring their contribution to GDP, official growth figures probably underestimate their impact.

Yet the buoyancy of construction, services and small businesses is not enough to propel eastern Germany towards a self-sustained recovery. If east Germany is to become economically competitive – within Germany or abroad – the future of the manufacturing and industrial sectors will be critical.

Large swathes of eastern Germany's under-capitalised manufacturing sector, which, before unification, contributed about 70 per cent of the region's GDP, have been forced to close because they were uncompetitive. There were two main reasons. First, monetary union led to a rapid escalation of both costs for manufacturers and output prices. Second, the demise of Comecon, the socialist trade bloc, deprived eastern Germany of markets which before 1990 had accounted for more than 75 per cent of eastern Germany's exports.

Since unification, the Treuhand agency, charged with privatising and restructuring east German industry, has embarked on a radical programme. Of the 13,000 enterprises under its control, more than 10,000 have been sold, 2,500 closed, and 500 are being prepared for privatisation.

But the performance of the newly privatised sector has been disappointing. Mr Heiner Flassbeck, chief economist at the Berlin-based German DIW Institute for Economic Research, says a typical enterprise is making losses equivalent to about 30 per cent of annual turnover.

The main brake has been high wage levels. In March 1991 IG Metall, the engineering trade union, together with former east German managers and west German employers, agreed that wages in eastern Germany should reach west German levels by 1994. But rising wages have stifled competitiveness. Subsequently, the 1994 deadline has been extended to 1996.

Mr Thomas Mayer, chief economist at the Frankfurt office of Goldman Sachs, the securities house, says the agreement has held back much-needed efficiency gains. He estimates productivity in eastern German industry is about 65 per cent below western German levels, while wages in the east are about 70 to 80 per cent of those in the west. That makes unit labour costs about 70 per cent higher. "This has had a debilitating effect on managers. They have little room to manoeuvre," he says.

But Mrs Birgit Breuel, head of the Treuhand, says high wage levels are not the sole reason that east Germany's economy has not yet become self-sustaining. She believes that its manufacturing companies need pump priming in the form of investment and orders from west Germany and elsewhere. "The companies for which we are responsible have really improved their quality. What they need is orders. At the moment they get the orders, they increase their productivity immensely. But the [level of] orders they receive is linked to the recession in western Germany."

Despite the recession, the level of investment by western German companies has been holding up, partly because such strategic decisions are taken years in advance. But forecasts for next year are less optimistic. The Munich-based Ifo Economic Forecasting Institute expects investment in manufacturing in eastern Germany to rise by 15 per cent this year, but forecasts a one-fifth decline in west German industry's investment in machinery and equipment next year.

Many economists believe that if east Germany is to attract sufficient future investment, the region's current high level of federal grants for investment and tax benefits will have be maintained – and possibly wage restraint introduced. According to the DIW, this year's federal subsidies to eastern Germany, including grants, tax concessions, soft loans and subsidies by the Treuhand, total DM50bn, or about 20 per cent of the region's GDP. These are in addition to the federal transfers, which go direct to governments of the eastern states.

Discontinuing such a high level of subsidy could hit companies in the west as well as the east. Mrs Breuel of the Treuhand says: "If they [west Germans] do not give orders to eastern German companies, the transfers will have to go on for a long time. And they will have to be paid for by taxes."

Adding to the burden on west Germany would be continuing high unemployment. Before 1990, 92 per cent of the eastern German workforca were employed. Today 15 per cent of the 7.5m strong labour force is jobless. Taking account of job creation schemes and short-time working, the real unemployment level is at least 35 per cent.

Though high unemployment reinforces arguments for wage flexibility, the adverse effect that breaking the link with west German wages would have on living standards means the German government is looking more towards continuing the subsidies and transfers in the hope of stimulating orders. The fear of some economists is that eastern Germany might become a "Mezzogiorno", a part of southern Italy that is heavily dependent on transfers from the prosperous north.

Mr Kurt Biedenkopf, the prime minister of Saxony, disagrees. "The whole comparison with a Mezzogiorno is absolute nonsense. We are reconstructing an economy [in Saxony] that had the highest GDP per capita in all of Europe immediately after 1918. It has a 200-year history of industrialisation. A Mezzogiorno never had a combination of culture and industry."

Despite Mr Biedenkopf's bold statements, there seems little likelihood of a significant cut in transfers and subsidies from the west to east in tha next decade. The growth that has taken root in some sectors will have to be maintained and perhaps accelerated if reconstruction leading to a self-sustaining economy is to keep pace with the rebuilding of Dresden's Frauenkirche.

Why arts need public money to flourish

PERSONAL VIEW

It is depressing enough to read as ill informed and ill thought-out an article as David Sawers's "No case for subsidies to the arta" (Personal View, Septembar 30), but the realisation that he is an economic consultant writing for the Institute of Economic Affairs fills one with alarm.

The fact is that the commercial and subsidised theatre have been totally interdependent for many years. The reason the British theatre is the envy of the world, both artistically and financially, is that, since public money went into revitalising regional theatre from the 1950s onwards, a tremendous talent base has developed through the network of subsidised theatre companies across the UK, where actors, directora, designers, technicians and managements learn their craft.

It is misleading to say unsubsidised theatres still account for the majority of the audience. Most UK theatres outside London's West End were built, saved or funded by public money through the Arts Council and local authority grants. Even those now in private hands were brought back from disrepair and neglect during the 1960s and 1970s with public money and effort.

At any time, most of the plays and several of the musicals in the commercial West End have come out of subsidised theatres. The international blockbuster musicals which attract millions of people (and therefore earn many millions in revenue) have nearly all been created by directors and designers whose main professional experience has been in the subsidised theatre. The wide choice of shows available in London and in theatres and concert halls around the country generates a vast amount of money for the British economy. The state tourist authorities in countries such as Australia and America have calculated that, for each dollar spent at the theatre box office, on average a further $2.70 is spent in the local economy through, for example, travel, hotels and restaurants.

The arts are undoubtedly one of Britain's important industries and, unlike most of its other industries, does not suffer from foreign competition. Its only problem is one of under-funding, not over-funding as Mr Sawers thinks.

At this time the whole fabric of the British theatre is under threat from government cuts. What is going to go to the wall is not the high-profile theatre that Mr Sawers's "richer classes" visit, but the grass roots of the theatre that ordinary people need and support: Theatre in Education, schools' programmes, flourishing regional theatres where Shakespearean productions are properly cast, grants for drama students, etc – in fact, all tha areas where the next generation of productive talent and audiences will come from.

If there was no subsidised theatre, choice would shrink dramatically – and so would audiences

When I started producing in the mid-1960s, the only way I could get a show together financially was by working with a subsidised repertory theatre to launch a tour. The majority of shows that my fellow producers and I put on during our formative years came from state- and local authority-subsidised theatres.

If there was no subsidised theatre, the choice of theatre availabla would shrink dramatically. I am convinced that, contrary to Mr Sawers's opinion, audiences would also shrink, because it is variety that stimulates both artists and public alike. Popular musical shows such as *Cats*, *Les Miserables* or *Miss Saigon* are only spectacular successes because they engage the talents of such world-class directors as Trevor Nunn and Nicholas Hytner. These directors' main body of work can only thrive in the subsidised sector, where they can work on new and classic plays and great operas, properly cast and realised on a scale to do justice to the author'a work.

Whenever I visit America, people constantly bemoan the fact that there are so few directors and designers coming through in the US to revitalise the theatre, whereas Britain has a constant stream of new talent. The reason is simple: the US does not have the fabric of subsidised theatre that the UK does.

Subsidies give a cushion for learning and experiment, just as a commercial company invests in the testing of a new product that may or may not go into successful production. If all funding were put into the hands of local authorities, we would indeed be in the situation Mr Sawers considers undesirable, "because it gives politicians and public servants the opportunity to influence the development of the arts".

At least the Arts Council, whatever its shortcomings, is a body whose only purpose is to develop and nurture all the arts, and not a collection of local politicians whose agendas may only peripherally include the arts.

Art has a much longer shelf life than commerce, and the UK cannot afford to squander any more of its artistic fabric or it will disinherit future generations.

Cameron Mackintosh

The author is a theatrical producer

OBSERVER

Play it again, Ken

■ Kenneth Baker may not have enjoyed exactly glowing reviews of his memoirs, but at least his remarks about Sir George Jefferson are suitably diplomatic.

As minister for information technology in the early 1980s, one of Baker's first tasks was to oversee the privatisation of British Telecom.

In the first appearance he makes in the memoirs, *Kenneth Baker The Turbulent Years, My Life in Politics*, Jefferson, then chairman of BT, is described as "very co-operative" . . . even if "he was irked by having to come and see me about quite trivial matters".

Jefferson may remember the, ultimately fairly successful, battles over the shape of post-privatisation BT slightly differently.

Anyway, it will be Baker who is coming to see him, now that the former cabinet minister has joined the UK board of Videotron, the Canadian-controlled cable company, of which Jefferson is chairman.

One of the largest operators in the UK, Videotron wants Baker aboard because he "kicked off the whole cable business" – and forgives him entirely for the inaccuracy of his 1982 prediction that multi-channel cable TV would be in every British household before the end of the decade.

At any rate, Baker is now in a position to roll up his sleeves and hasten the advent of the wired city.

Sinking feeling

■ It was more a case of sinking than floating at Allders yesterday. The department store and duty free retailer planning a stock market listing in November was due to present its pathfinder prospectus to stockbrokers in the City, hut was hampered by the weather.

Finance director Tony Collyer was stuck on a train from Bath which was stopped by rain water lapping the sleepers. And copies of the document itself were in a van from the printers which was held up by floods.

Luckily chief executive Harvey Lipsith's train had made it to town and he conducted the presentation single-handed.

Change agents

■ While small investors don't normally cause much of a stir in Zurich, a plague of them has lately rocked the city's public transit system by cleaning up profits of about 7,000 per cent on each minuscule outlay.

Their bonanza began with the discovery that a Russian one rouble coin, worth about 2p, is the same size as a Swiss five franc piece, representing over £2.30.

Hence by using a rouble to buy

'It used to be nice here before they built a new prison next door'

a cheap ticket from the system's vending machines, they netted change in francs worth about £1.40.

Transit authority director Rolf Künzle says the rouble trouble, which began in February, has cost the system nearly £56,000. But the machines have now been fixed to take neither five franc coins nor roubles pending development of an automatic way of discriminating between them.

An added worry initially was whether the change agents were coming in from Russia or local gnomes corrupted by the massive margins.

The question was resolved, however, when police arrested three Russians equipped with sacks of rouble coins and a map of the transit network.

Survey sell

■ A refreshing antidote to publishers' hype reaches Observer from the Behavioral Sciences Research Press in Dallas.

A recent survey has been asking "what makes British sales people hit the road, pick up the phone and go for the close day after day?"

According to the two behavioral scientists who have been out on the road themselves, 37 per cent of British sales people are mainly motivated by money – the same proportion, it emerges, as in the US.

Even more "interesting", the taster for the research goes on, only 20 per cent of Canadians are driven by such considerations – "despite also being former royal subjects and America's closest neighbors".

So what accounts for these cultural differences? "We don't know" the authors respond with disarming honesty.

Art of survival

■ There is no stopping John Tusa. Denied the chance to apply for the director-generalship of the BBC, he had also received insufficient credit for bow he ran the BBC World Service. Now he has quit as Master of Wolfson College after less than a year.

But the academic spat at Cambridge was last week. This week Tusa, who still presents the lunchtime news for BBC Television, becomes chairman of the advisory committee for the government art collection.

His new influence extends, therefore, to all 15,000 works of mainly British art which adorn the walls of government offices and British embassies.

At nearly-new Wolfson College, one of Tusa's many frustrations was the fact that there was no room for modern art in the master's dining room and elsewhere because of all that space devoted to portraits of ancient academics.

Described by one friend as "pathologically decisive", Tusa would have had exceptionally littla patience with academic dithering. Watch out for some fast thinking, though, on how to enliven the walls of Whitehall.

Misrouted

■ A reader writes in to point out that, while coming to accept that his luggage may go missing, be thinks British Airways, in its current dream ticket promotion, goes too far.

The offer reads: "Two flights on Club World to New York could give you and your partner the chance to stroll through the Arab bazaars of Casablanca."

FINANCIAL TIMES
Thursday October 14 1993

Inflation rate rises by more than forecast and manufacturing output falls

Double blow for UK recovery

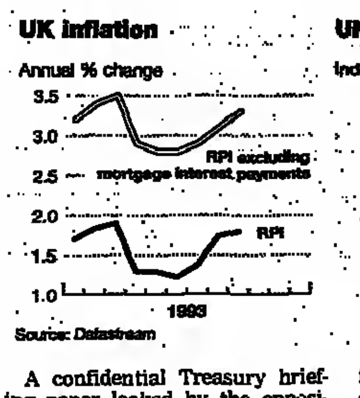
By Peter Norman and Emma Tucker in London

BRITAIN'S hopes of sustained, non-inflationary recovery were dealt a double blow yesterday with news of a fall in manufacturing output over the summer and a higher than expected rise in retail prices last month.

Manufacturing output fell by a seasonally adjusted 0.4 per cent in August, confounding expectations by market analysts of a 0.4 per cent rise in the month, while the year-on-year rate of retail price inflation quickened for the third successive month to 1.8 per cent in September, up sharply from June's 1.2 per cent low.

More worrying for Mr Kenneth Clarke, the chancellor of the exchequer, who meets his ministers and senior Treasury officials tomorrow to discuss the shape of his first budget on November 30, was September's rise to 3.3 per cent in underlying inflation, excluding mortgage interest payments, from 3.1 per cent in the year to August.

Central Statistical Office figures also showed that growth in industrisl production faltered during the summer with manufacturing output down 0.7 per cent in the three months to August 31 compared with the previous three-month period.



A confidential Treasury briefing paper leaked by the opposition Labour party last night said manufacturing output would have to grow by about 2 per cent in September to meet expectations of manufacturing output growth of about ½ per cent a month in August and September.

Yesterday's figures, following closely on Monday's news of a widening UK trade deficit and rising producer price inflation, underlined the fragility of the UK recovery and pointed to a narrowing of Mr Clarke's room for manoeuvre in the budget.

Weak output could undermine his capacity to raise taxes to cut Britain's £50bn ($75bn) annual budget deficit. The increase in underlying inflation to within the top quarter of the government's 1 to 4 per cent target range could crimp his scope to increase indirect taxes such as value added tax as well as limit his ability to cut interest rates to offset any fiscal tightening.

These conflicting currents were reflected in financial markets yesterday. Gilts and sterling fell sharply on the two reports, reflecting fears of higher inflation and concern about the recovery. But they later made up some ground: 10-year gilt-edged stock closed down $\frac{3}{16}$ points while sterling et the London close was ¼ pfennig lower at DM2.4425.

Equities weakened with the FT-SE 100 index down 23.5 points by early afternoon. Share prices later recovered as investors reasoned that Mr Clarke would now be less likely to raise taxes. The FT-SE 100 index closed at 3,080.9, down 13.8 points.

Analysts said yesterday's figures were disappointing. But both the Treasury and the Bank of England said the recovery was still on track. A Bank spokesman said it expected inflation to remain in its target range.

Mr Stephen Dorrell, financial secretary to the Treasury, said Britain was still heading for 3 per cent growth in mid-1994 and denied that the recovery was fizzling out. "We never said this would proceed in a straight line".

Because state pensions and benefits are upgraded in line with September retail price inflation, next April's rise in pensions and benefits will be the smallest since the early 1960s.

The increase in inflation reflected widespread price rises for retail goods, in particular higher petrol prices and more expensive second hand cars. More inflationary pressures are in the pipeline, *causing* some analysts to fear that the 4 per cent target ceiling will be breached early next year.

Delsyed measures announced *in the last budget in March* – including the extension of value added tax to domestic fuel – will add an extra percentage point.

Don't fuss about deficit, Page 12

THE LEX COLUMN

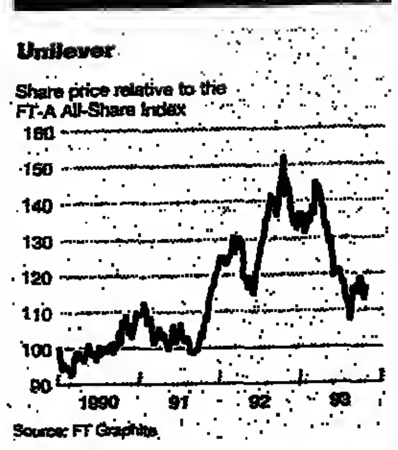
Wiring up Tinsel Town

Hollywood was not meotioned once in Bell Atlantic's statement about its merger with TCI, perhaps for fear of frightening the children. The deal has many dimensions, and the expansion of cable television and its integration with telephony was a powerful force bringing the companies together. But *the timing* is important and Paramount is discernibly the ghost in the machine. TCI owns over 20 per cent of QVC, which is bidding for Paramount. Having looked a weaker competitor than Viacom, QVC suddenly has a merged Baby Bell and large cable operator as its backer. If an improved bid is forthcoming from QVC, Paramount's board can hardly swat it away.

The prize of the last footloose Hollywood studio feeding programmes into the largest US cable network backed by a telephone company with the capital to develop a large scale digital system has clearly turned executive heads. Whether Bell Atlantic will ever make money from TCI is more questionable. The price of 11.75 times cash flow is higher than the valuation of many telecoms companies, hnt not wildly so. The 35 per cent first year dilution of earnings is, however, a better indication of how much Bell Atlantic is betting on the deal.

Yet valuation seems almost irrelevant to companies at this stage. A stake in the few properties available in the fusing world of media and communications is viewed as merely the ante which buys admission to the multimedia poker game. No one can yet discern the final shape of the industry which will emerge, and the risk of buying the wrong companies at the wrong price is high. When this kind of money is changing hands, not even apparently impregnable stars like Disney are safe.

FT-SE Index: 3080.9 (-13.8)



One reading of yesterday's data is that a budget of minimal change is becoming more likely. In the short term that might please the equity market, which, having enjoyed a sharp rebound in earnings so far this year, is starting to worry about whether the momentum can be sustained into 1994. But it would only leave the job of correcting the PSBR to later.

In fact there may still be sense in a more radical shift in policy mix at the time of the budget. Manufacturing output is not weak because of poor consumer demand. Rather it is investment goods which have been hit, while weak European markets are holding back exports too. The most helpful palliative would be for lower continental interest rates. Failing that a slightly lower pound might secure some market share for British exporters. Higher tax on individuals offset by lower interest rates would assist industry while having some disinflationary benefit into the bargain.

UK economy

The latest UK price and production figures appear to illustrate the dilemma facing the chancellor. If the economy is weak, the argument goes, he cannot easily put up taxes in November. But with the underlying rate of inflation at 3.3 per cent, it also seems risky to cut interest rates. It would be acutely embarrassing if the underlying rate subseqoently moved to the top of the 4 per cent target ceiling, or even above it. The government's desire to avoid this may even dampen enthusiasm for higher VAT charges, which only increase the headline rate of inflation.

Générale des Eaux

Not long ago Générale des Eaux seemed to cast its substantial shadow across the UK water industry. A number of smaller water-only companies still fall within its empire. But fears of a French invasion proved unfounded. As its planned FFr3bn-4bn rights issue shows, Générale has its hands full elsewhere. Proceeds will cover perhaps three years capital investment in SFR, which holds one of two digital cellular phone licences in France. Construction and property interests have been mauled by recession at a time of rising capital spending, so gearing will be well over 100 per cent even after the capital increase.

Générale will have little incentive to look again at the UK's privatised water companies after takeover *restrictions* are lifted at the end of next year. The attraction to any potential bidder will depend on price limits set by the regulator for the second half of the decade. Even on the most optimistic assumptions, though, water bills will not rise fast enough to cover investment. That could be an effective poison pill against a predator facing substantial calls on capital elsewhere.

Nor does Générale need a UK water acquisition for earnings growth. Its investment in telecoms should start to pay off in the middle of the decade and lower French interest rates will cut the cost of servicing its debt mountain. Its existing French and international water interests look capable of delivering decent profits growth, without the bother of UK-style regulation.

Unilever

The 1.6 per cent bounce in Unilever's shares yesterday in response to perky sales predictions from Procter & Gamble provides another illustration of how closely UK consumer product stocks have shadowed their US peers this year. The rekindling of positive sentiment towards the US soap suds industry was strong enough to override worries that P&G's gains were being made at Unilever's expense.

The striking correlation in share price performance between the two sectors is puzzling, however, given that none appeared to exist in the 1980s. Marlboro Friday has set the tone for both markets. Talk of the food industry's long-term secular decline has spread in New York and London. *Both national sectors have suffered* in common as defensive stocks have fallen out of fashion. Both, too, have faced similar problems with sluggish recovery, rampant retailers, and the turn of the margin cycle.

Attention on both sides of the Atlantic is focusing on those companies which can evade such pressures by generating sustainable earnings in emerging markets. Both Nestlé and Unilever are well placed to benefit from this perception. The challenge for both will be to stabilise margins in Europe and the US while driving growth elsewhere. As the industrial heir to two colonial empires, the Anglo-Dutch company may have a particular historical advantage. Nestlé, though, has been driving especially hard in the Far East.

Kohl urges EC to resist protectionism

By David Buchan in Paris

GERMAN Chancellor Helmut Kohl told the French Senate yesterday that Europeans should "resist the temptation of protectionism". In a speech clearly designed to influence France's position in world trade talks.

Mr Edouard Balladur, the French prime minister, meanwhile told the National Assembly that France would settle for a General Agreement on Tariffs and Trade accord in the form of "a progress report" by the December 15 negotiating deadline "if certain partners were to propose this".

Mr Balladur thus appeared to back away from the campaign that his ministers have been waging in recent days for an "interim Gatt" deal this year, leaving the contentious issues of agriculture and broadcasting for later.

But Mr Balladur gave little sign of conceding on the substance of France's demands in Gatt. Calling for government and opposition parties to unite to defend "our country's national interests", the prime minister cited a series of unfulfilled demands on steel, aerospace, transport and market access, and warned that France would not allow itself to be "forced to take one extra hectare of land out of production" when countries like tha US were putting their set-aside land back into production.

Stressing the need for freer trade, particularly with east Europe, Mr Kohl said "West Europeans would be committing a fatal error if they thought that in removing competition by closing their markets they could benefit in any way whatsoever". Over tha longer term, he said it was unthinkable for him as a German that Poland and the Czech Republic would stay outside the EC.

Using his Senate speech to try to give new impetus to the battered French-German alliance as well as to the EC, Mr Kohl said it was inevitable that the Bonn-Paris axis was sometimes prone to "disillusions and doubts". But the two countries shared a common fate and must form "the heart of the European Union", created by the Maastricht treaty.

Germany had proven its solidarity with France with "concrete acts" such as Bundesbank support for other EC currencies. "This has not been without problems for the Bundesbank, even if the latter has not made these public", Mr Kohl said.

After Tuesday's German court approval of Maastricht – which gives the French government the green light to put the Bank of France's independeot status into effect – Mr Kohl called for strict observance of the treaty's "timetable and conditions to ensure monetary stability".

Mr Kohl said that: "a kind of improved free trade zone is not enough". A monetary union was not viable without a political union, he warned.

Privatisation is halted

Continued from Page 1

on charges of breach of trust while in office.

The new cabinet was sworn in yesterday. Mr Papandreou did not appoint a deputy prime minister, but created a special cabinet post for Mr Antonis Livanis, an adviser who worked closely with him when the Pasok was in power from 1981 to 1989.

The post of economy minister went to Mr Giorgos Gennimatas, Pasok's most popular member, who is suffering from cancer.

The foreign minister will be Mr Carolos Papoulias. Ms Melina Mercouri heads the culture ministry.

EC bids to break trade deadlock

By David Dodwell, World Trade Editor, in Brussels

THE European Community is to propose cuts in tariff protection for manufactured goods in an attempt to break the deadlock in talks on world trade liberalisation.

The initiative, announced by Sir Leon Brittan, EC trade commissioner, after a day of negotiations with Mr Mickey Kantor, his US counterpart, is in response to the lack of detailed progress on market opening deals reached in Tokyo in July by leaders of the Group of Seven industrial nations.

"Everybody has been waiting for everyone else. We are not prepared to wait any longer," Sir Leon said.

Sir Leon also called for a special ministerial meeting of the so-called Quad nations – Japan, Canada, the US and the EC – to resolve disagreements on the July commitments. There is rising concern that delays are jeopardising negotiators' ability to conclude the Uruguay Round of the General Agreement on Tariffs and Trade by its December 15 deadline.

Mr Kantor yesterday gave conditional support for e special Quad meeting, insisting that "further progress" was needed in negotiations before such a meeting would be helpful. Talks with the EC continue today. The EC has held back its tariff offer in the hope of winning further market-opening concessions from Japan and the US.

As a result, it has faced criticism from trading partners over the small size of its offer, which averages an estimated 26 per cent tariff cut. By comparison, Japan's offer amounts to 60 per cent, Canada's to 50 per cent and the US to 37 per cent. An EC official said the new schedule of tariff cuts, to be tabled in Geneva tomorrow would raise the average EC cut above 33 per cent.

Trade in farm products, which the French government would like to remove from the Uruguay Round agende. was not addressed.

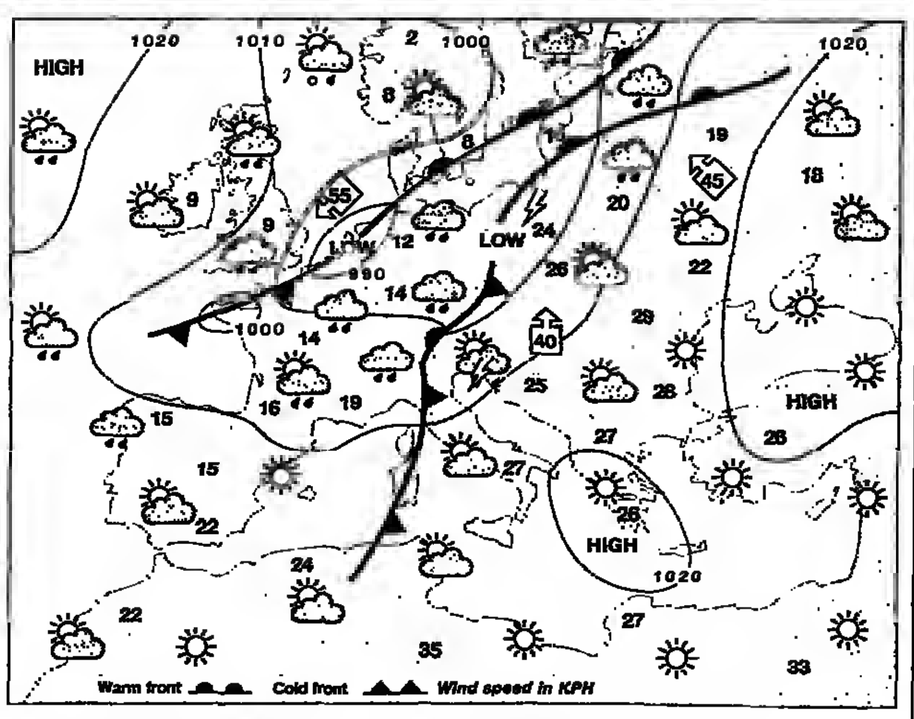
FT WORLD WEATHER

Europe today

A polar front over the Channel, the Low Countries, southern Denmark and south-eastern Finland will cause clouds and an abundance of rain. Behind the front, a northerly flow will bring cool and unsettled conditions. Some showers will develop, but there will be clear spells too. Most of Ireland, Sweden and southern Norway will remain dry. A disturbance over eastern France, the Alps and Poland will trigger thundery showers. By early afternoon, eastern Spain will have plenty of sunshine, but further to the west, clouds will increase with showers arriving in north-western Spain and Portugal. High pressure over south-eastern Europe will be persistent and should continue to produce abundant sunshine.

Five-day forecast

High pressure over the Atlantic will build into north-western Europe bringing settled conditions. After tha weekend, it will move toward the Baltic Sea. A frontal zone associated with a developing depression near Iceland will bring clouds and rain to the northern British Isles. In south-western Europe, low pressure will trigger thundery showers while the sunshine in south-eastern Europe will diminish as the high pressure area moves slowly eastwards.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius																	
			Belfast	shower	7	Cardiff	shower	7	Frankfurt	shower	14	Malta	fair	30	Rio	fair	23
			Belgrade	sun	32	Chicago	fair	15	Geneva	shower	19	Manchester	shower	9	Riyadh	sun	37
Abu Dhabi	sun	35	Berlin	shower	15	Cologne	rain	13	Gibraltar	shower	21	Manila	cloudy	32	Rome	fair	25
Accra	fair	31	Bermuda	fair	29	D' Salaam	fair	28	Glasgow	fair	9	Melbourne	fair	14	S. Frsco	shower	20
Algiers	fair	24	Bogota	fair	19	Dakar	fair	29	Hamburg	rain	9	Mexico City	fair	20	Seoul	fair	20
Amsterdam	rain	11	Bombay	shower	33	Dallas	thund	24	Helsinki	sleet	5	Miami	fair	30	Singapore	cloudy	30
Athens	sun	27	Brussels	rain	13	Delhi	sun	35	Hong Kong	rain	28	Milan	fair	19	Stockholm	shower	5
B. Aires	shower	24	Budapest	fair	25	Dubai	sun	34	Honolulu	fair	30	Montreal	fair	5	Strasbourg	rain	13
B.ham	shower	7	C.hagen	shower	9	Dublin	fair	5	Istanbul	sun	25	Moscow	fair	15	Sydney	sun	19
Bangkok	cloudy	34	Cairo	sun	33	Dubrovnik	fair	25	Jersey	rain	14	Munich	thund	15	Tangier	fair	21
Barcelona	fair	21	Cape Town	fair	19	Edinburgh	fair	9	Karachi	sun	35	Nairobi	fair	28	Tel Aviv	sun	32
Beijing	shower	18	Caracas	cloudy	32	Faro	fair	20	Kuwait	sun	35	Naples	fair	27	Tokyo	fair	22
									L. Angeles	shower	24	Nassau	fair	31	Toronto	fair	12
									Las Palmas	fair	25	New York	sun	14	Tunis	fair	32
									Lima	fair	21	Nice	shower	21	Vancouver	cloudy	15
									Lisbon	shower	17	Nicosia	sun	33	Venice	shower	21
									London	rain	9	Oslo	sun	8	Vienna	shower	22
									Lux.bourg	rain	12	Paris	shower	14	Warsaw	thund	24
									Lyon	shower	15	Perth	fair	21	Washington	fair	17
									Madeira	fair	22	Prague	shower	18	Wellington	cloudy	12
									Madrid	cloudy	14	Rangoon	fair	33	Winnipeg	cloudy	7
									Majorca	sun	22	Reykjavik	fair	0	Zurich	thund	12

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 14 1993

INSIDE

Bremen in talks for Klöckner-Werke sale

Bremen, the German city-state, is holding talks with domestic and international steel companies to find a buyer for the integrated steel mill of Klöckner-Werke, the ailing German steel group. Sidmar, a subsidiary of Luxembourg's Arbed steelmaker, is among those in the discussions. Page 16

Yaohan seeks HK float

Yaohan International, the holding company of the Hong Kong-based Japanese retail group, is to raise HK$662.5m (US$86m) through a flotation on the Hong Kong stock market. Page 17

First Chicago rebounds

First Chicago reported a record profit of $284m for the third quarter, a strong rebound from the $372m loss last year. The mid-western banking group attributes the improvement to strong contributions from all of its main business lines, particularly proprietary trading and venture capital. Page 18

Travelers takes $211m charge

A rise in the number of environmental damage and asbestos-related claims has forced Travelers, the US insurer, to take an after-tax charge of $211m in its third quarter. Page 18

Forte leads flotation fever

Forte, the hotel and restaurant group, intends to float its airport services group next year. Next month's flotation of Allders, the department store and duty-free retailer, aims to raise about £85m ($129m). Albert Fisher is spinning off Charles Sidney, its commercial vehicle and passenger car dealer, next month. Page 20

Irish eyes on Dunnes

Control of the Dunnes Stores empire, Ireland's largest supermarket and retailing chain, has taken on the semblance of a real-life soap opera, complete with scandal and disgrace. Page 22

Metal attraction

London's annual "metals week" is attracting nearly everyone who is anyone. Apart from paying homage to the London Metal Exchange, metals producers and consumers are starting their "mating season", the term used to describe the start of annual contract negotiations. Page 26

Cordial relations in Zimbabwe

Ten years ago Zimbabwe's finance minister Mr Bernard Chidzero denounced the stock exchange as the "prostitute of the economy" and industrial share prices plummeted. Today the wheel has turned full circle as Mr Chidzero has liberalised the regulations governing foreign investment. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				BSN	873	+	18
Rises				Paris Reescompte	490	+	12
Asko	927	+	38	**Falls**			
Colonia Konzern	1400	+	40	Credit Lyon (CI)	715	-	15
Industrie Werke	361	+	13	Eridania B-Say	880	-	23
Mercedes	751	+	8.5	Sab SA	508	-	19
Falls				**TOKYO (Yen)**			
Holzmann Ph	920	-	15	**Rises**			
Rheinelektra	1045	-	15	JEOL	870	+	29
NEW YORK ($)				Showa Sangyo	640	+	21
Rises				**Falls**			
Bell Atlantic	60⅞	+	⅞	Daicel Chemical	528	-	24
TCA Cable	27⅛	+	1⅛	Inax	1150	-	60
TCI	30⅛	+	1¾	Kurita Water	2180	-	100
Time Warner	44⅝	+	1⅝	M'bishi Steel	652	-	23
Vanguard Cell	30	+	1				
Walt Disney	44⅛	+	1⅞				
PARIS (FFr)							
Rises							
Axa	1587	+	33				

New York prices at 12.30pm.

LONDON (Pence)				Tottenham Hspr	115	+	5
Rises				**Falls**			
AB Consulting	48	+	8	Aminex	51	-	2½
Airtours	444	+	15	BICC	397	-	10
Automated Sec	113	+	16	Comm Union	531	-	12
BCE	10	+	2	Cooper Clarke	81	-	9
Elsco	50	+	5	Delyn	91	-	4
Grosvenor Inns	141	+	6	Densitron	32	-	5
Lon O'seas Frs	99	+	8	Mirror Group	163	-	5
Ricardo	183	+	8	TI Group	343	-	10
Sleepy Kids	53	+	5				
Southern Water	593	+	15				

German markets merger cut back

By David Waller in Frankfurt

PLANS for a full-scale merger of the German derivatives market with the market for German equities and fixed interest securities have been scaled back, it emerged yesterday.

Only last week the Deutsche Börse – the German stock exchange – announced far-reaching plans for a fusion with the Deutsche Terminbörse (DTB), Germany's screen-based futures and options market. This was heralded as a step towards the full integration of the German securities markets. Following a meeting of the supervisory board of the Deutsche Börse yesterday, the scope of the planned merger has been curtailed, casting doubt on the pace of reform of the German securities markets following the creation of the Deutsche Börse at the beginning of the year.

The meeting decided yesterday that fusion between the legal bodies which own the Frankfurt Stock Exchange – by far the largest of the eight stock exchanges in Germany – and the DTB was to be examined. Further co-operation between the two entities will be limited to administrative matters and will not extend to fusion of dealing and settlement technologies.

This represents a volte-face from last week's statement which presented the fusion of the two bodies as a fait accompli.

It said then that the integration of the equities and fixed interest markets with the derivatives market was essential to improve the speed and reliability of transactions on the German markets, to cut costs and enhance the competitiveness of Germany against other financial markets.

Yesterday's toned-down statement from the Deutsche Börse points to tensions with the DTB over the pace of integration.

When the Deutsche Börse was created at the beginning of the year it said fusion of the DTB's settlement and trading technologies with those for equities and fixed interest would be a priority. It now seems that concrete measures in this area will not be discussed until well into next year.

The Deutsche Börse has considered enhancing the Ibis service, an electronic dealing system for a limited number of German shares and fixed interest securities that was introduced in April 1991. This has won a major share of turnover in leading German securities, but is seen as in need of updating, perhaps with the help of the technology developed for the DTB for the derivatives market. But co-operation between the Deutsche Börse and the DTB looks likely to be limited to the fusion of certain administrative functions. There will be, for example, a joint press office and a joint office to oversee market supervision.

Search is on for new Groupe Bull head

By Alan Cane in London and Alice Rawsthorn in Paris

THE FRENCH government is searching for a replacement for Mr Bernard Pache, chairman and chief executive of Groupe Bull, the loss-making computer manufacturer, according to sources close to the government.

Groupe Bull yesterday refused to comment on a report in Les Echos, the business newspaper, that Mr Pache was shortly to be replaced.

The newspaper report follows months of speculation in Paris that Mr Pache's job was at risk.

Mr Pache, 58, ex-head of the French coal board, was appointed by the former left-wing government in June last year with a remit to return Bull to profitability and prepare it for privatisation.

One senior French businessman with experience of the computer industry said yesterday that it would be "crazy" to dismiss Mr Pache after such a short period in office or to replace him with somebody from outside the industry.

The newspaper report said Mr Pache's departure might be announced in conjunction with the publication of the group's recovery plan. This is expected to include a request for FFr9.2bn ($1.6bn) of state aid.

Speculation about a successor has mentioned Mr Jean-Marie Descarpentries, former head of the French packaging company Carnaud, who engineered the merger with Metal Box of the UK. He was offered the job at the time of Mr Pache's appointment, but turned it down.

Some argue that Mr Pache has incurred government displeasure by moving too slowly to transform and revitalise Bull, which has lost FFr15bn in the past three years.

It is a time of intense uncertainty for the senior management of France's state-controlled companies. The Balladur government has already made two new appointments. Mr Michel Pébereau has replaced Mr René Thomas as chairman of Banque Nationale de Paris and Mr Philippe Jaffré has succeeded Mr Loïk Le Floch-Prigent at the Elf Aquitaine oil group.

Mr Jean-Yves Haberer, chairman of Crédit Lyonnais, the troubled banking group, is mooted as the next target. He is expected to move to Crédit National, another bank, to make way for Mr Jean Peyrelevade, currently chairman of the Union des Assurances de Paris (UAP) insurance group.

The Balladur government is anxious to ensure that the privatisation candidates move into the private sector with its own sympathisers in charge.

Martin Dickson reports on the merger of Bell Atlantic with TCI

Bells ring for prophets of information age

Two prophets of the coming age of interactive multi-media communications joined forces yesterday to exploit an information revolution which promises to transform America – and eventually the world.

Bell Atlantic, the "Baby Bell" regional telephone company which serves the middle Atlantic seaboard of the US, announced plans for an agreed takeover of Tele-Communications Inc, the largest cable TV company in the US, serving more than 20 per cent of America's cable homes.

Bell Atlantic, led by Mr Raymond Smith, 55, has been the most active of the seven "Baby Bell" local phone companies in preparing for an interactive multi-media world.

TCI's 52-year-old head Mr John Malone – who will become vice-chairman of the enlarged Bell Atlantic – is also a tireless proponent of this brave new world. The pair's shared vision of the future played a key role in prompting the deal. Both described it as the "perfect information age marriage".

If it survives regulatory scrutiny, the deal will be the most far-reaching in a series of link-ups between US cable television and telephone companies since the start of the year.

Over the next few years, households will be able to call up on a television set a vast array of information and entertainment, together with video telephone calls – although it remains uncertain how much consumers are ready to pay for this.

Both the telephone and cable television industries have wires running into most US homes. The convergence of the two sectors at one time looked like provoking a furious battle, but instead the two are getting together. They have realised that each brings complementary skills to the extremely costly task of supplying the new technology to the consumer.

The local telephone companies have much deeper pockets than the cable companies, as well as skills in switching complex two-way traffic. The TV companies' co-axial cable offers a much broader conduit to the home than telephone copper wires; and the cable companies have skills in distributing programmes which the telephone companies lack.

Until now, the biggest link-up between the two industries was an agreement whereby US West, the Baby Bell telephone company serving the Rocky Mountains and Northwest, paid $2.5bn for a 25 per cent stake in the entertainment production and cable arm of Time Warner, the country's second largest cable service provider.

Yesterday's deal carries the trend to its logical conclusion with a proposal for a full-scale merger. It seems certain to provoke a rash of imitations as other telephone and cable companies scramble to position themselves for the new age.

However, the merger between Bell Atlantic, whose turnover of around $13bn makes it the third largest Baby Bell, and TCI should give these two companies a powerful position in setting technical standards and gaining market share. This is partly because it is the first full merger, involving such large players, and partly because of the energy of the two companies and the men who run them.

The Baby Bell companies – spun off from long-distance carrier American Telephone and Telegraph in 1984 under a court-ordered anti-trust settlement – have tended to inherit the culture of monopolistic utilities.

Under Mr Smith, Bell Atlantic has tried particularly hard to become more entrepreneurial, and has emerged as the most aggressive Baby Bell in trying to enter the multi-media industry. In August, it became the first US telephone company allowed to offer video services in its own telephone service area, when it successfully challenged a section of the 1984 cable television act which prevented this.

It is also one of the largest players in the US cellular telephone industry, cementing its position two years ago with the $1.8bn acquisition of the Metro Mobile service. Earlier this week it moved into the Mexican market, paying $1bn for 42 per cent of carrier Grupo Iusacell.

As for TCI, in 20 years Mr John Malone has transformed it from a rag-tag mix of small, poorly capitalised cable operations into an industry leader. It announced plans last week to re-merge with Liberty Media, a large cable programming company which it spun off in 1991 because of regulatory concerns.

Liberty in turn owns a large stake in QVC Network, a home shopping channel which is making a hostile $9.5bn bid for entertainment group Paramount Communications – in competition with an agreed $7.5bn deal from rival cable group Viacom.

All these factors mean that yesterday's deal will come under intense regulatory scrutiny.

Bell Atlantic, which is not allowed to own cable systems in its own area, will spin off TCI's overlapping cable operations into a separate company. But its acquisition of TCI's and Liberty's programming interests is subject to review by the courts, and Congress will also be keenly interested in a deal which could set the model for US local phona companies of the future.

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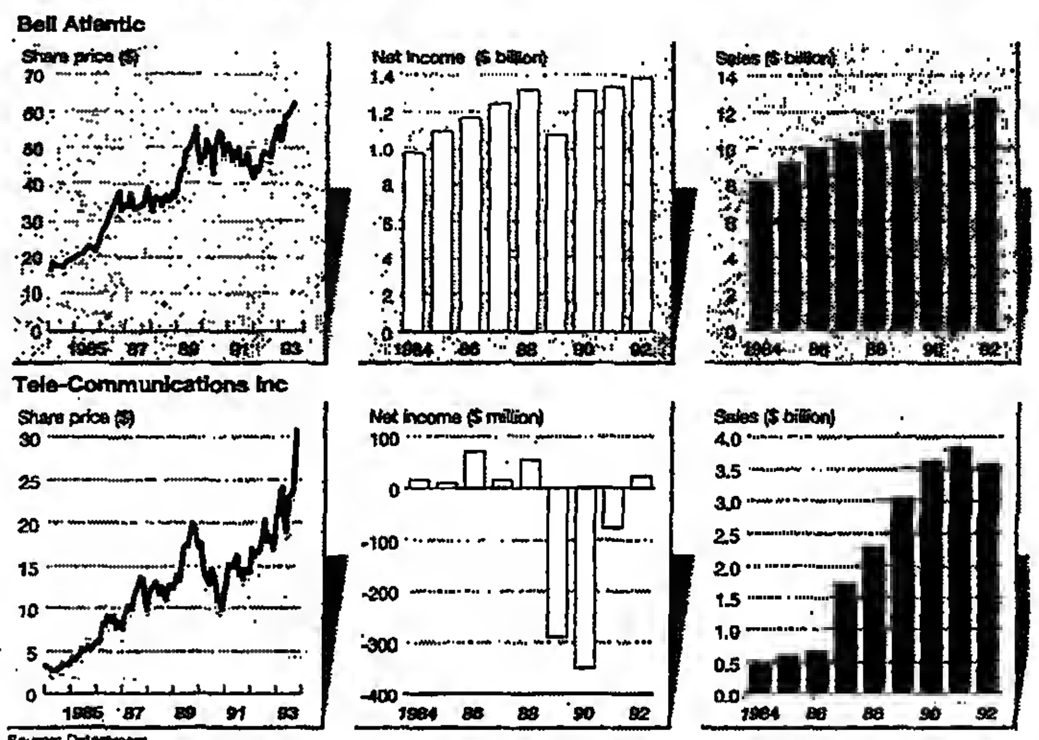
Profile of the protagonists



Source: Datastream

Woolworth in $480m charge for restructure

By Karen Zagor in New York

WOOLWORTH, the US retailer, yesterday annonnced a $480m after-tax charge against third-quarter earnings to cover restructuring which inclndes closing abont 10 per cent of its stores and slashing its workforce hy 9 per cent or 13,000 jobs.

Woolworth's sales performance has been lagging behind its competitors. The company disappointed Wall Street as earnings were eroded in the first and second qnarters of this year when total profits were only $3m, or 2 cents a share, compared with net income of $50m, or 38 cents for the first six months of 1992.

In last year's third quarter, the group posted after-tax profits of $65m on sales of $2.5bn.

Woolworth will close ahont 970 general and speciality stores in the US and Canada. These stores suffered operating losses of $36m in the first half.

Abont 250 of those to be closed will be changed into more profitable fnrmats – mainly the gronp's athletic footwear and clothing chains.

Woolworth will also remodel and revamp the merchandise in some of its Kinney shoe stores and convert 100 Woolworth stores in Canada into its Bargain Shop chain.

In the US, Woolworth will close 400, or abont balf of its Woolworth general mercbandise stores. It will also close 330, or about one third of its Kinney and Footquarters shoe stores. In Canada, only about 5 per cent of the gronp's stores will be closed permanently.

The news prompted Standard & Poor's, the US ratings agency, to downgrade its ratings on Woolworth's debt, preferred stock and commercial paper.

Moody's Investors Service, which placed Woolworth's commercial paper on review for possibla downgrade, was concerned that Woolworth might be facing a fundamental decline in long-term demand in many of its markets.

Mr William Lavio, who replaced Mr Harold Sells as chairman and chief executive in July, hlamed unfavourable economic conditions in North America, increased competitive pressures and generally depressed consumer spending.

Woolworth said it did not expect the programme to bave a significant impact on its cash flows on an after-tax basis.

Capel loses emerging markets team to Morgan Grenfell

By Sara Webb in London

MORGAN Grenfell, the UK merchant hank, has recruited about 20 equity traders, analysts and sales staff from rival James Capel to beef up its developing country debt and bond nperations. The mass hirings boost Morgan Grenfell's emerging markets headcount by roughly 20 per cent to about 120 and are a testimony to the growing importance of emerging market investments. The new team gives Morgan Grenfell an entrée into the vibrant emerging market equity business.

The departures, which started a couple of weeks ago, have cut a swathe through Capel's emerging markets operations in London and New York, more than halving the staff on the trading, sales and research side. Capel said 18 staff from offices in London, New York, Mexico, and Hong Kong – mostly covering Latin American equities – had formally quit.

The company, which is a subsidiary of HSBC Holdings, has shifted staff from its international equities operations to plug the gaps and plans to "re-orient the focus of the team towards Asia" where it claims a competitiva advantage through its parent.

Morgan Grenfell expects the new recruits, who include Mr Jonathan Binder, head of emerging markets sales in New York and a former Morgan Grenfell employee, and Mr Mark Donegan, head of the sales force in London, to join by the beginning of December. The two are bringing most of their sales teams with them. Morgan Grenfell indicated that recruitment was still going nn.

Mr Rick Haller, head of Morgan Grenfell's emerging markets operations, said: "We are one of the top three traders worldwide nf emerging market debt." According to one estimate, Morgan Grenfell turns over $10bn of debt and bonds a month. But its operations have until now lacked muscle on the equity side.

Increasingly, those international investors interested in emerging markets want to buy both debt and equities for their portfolios. "What you are finding in the emerging markets is that if an institution likes the country story they buy everything," said one specialist at Morgan Grenfell.

Bremen holds talks to sell Klöckner-Werke steel mill

By Ariane Genillard in Bonn

BREMEN, the German city-state, yesterday confirmed it was holding talks with domestic and international steel companies in an attempt to find a buyer for the integrated steel mill of Klöckner-Werke, the ailing German steel group.

Mr Claus Jäger, the state economics minister, said that Sidma, a subsidiary of the Arbed steelmaker in Luxembourg, was among those in the discussions.

The talks form part of the state's strategy to fend off a rival offer made by Thyssen and Krupp-Hoesch, Germany's two largest steelmakers.

The state, which has one of the highest unemployment rates in Germany, is concerned about the future of the 4,600 jobs at the Klöckner-Werke plant. It says the Thyssen's proposal would only keep 1,000 employees.

Thyssan yesterday said it had no intention of closing down any part of the mill. It said it was only interested in buying the cold-rolling mill and not the whole integrated mill.

Mr Jäger said Thyssen and Krupp-Hoesch wanted to acquire the Klöckner-Werke plant to partially close it and eliminate a competitor in the German steel market. "We are instead trying to find a solution with other companies who know the steel market."

Sidma, which is 67 per cent owned by Arbed, said that it had an interest in the future of Klöckner-Werke's plant because of its co-operatioo with the German group in Belgium. Klöckner-Werke owns 25 per ceot of Allegheny Ludlum Corporation (ALZ), a subsidiary of Sidma in Ghent which produces stainless steel. It also has a 30 per cent stake in Sikel, a subsidiary producing metal sheets for household goods.

Sidma said: "We are investigating the possibility of some co-operation between Sidma and Klöckner-Werke. But it is too early to say what form this co-operation will take."

In Luxembourg, Arbed yesterday denied any intention to acquire a stake in the Klöckoer-Werke steel plant. It confirmed that talks were taking place, but stressed that they had focused mostly on the future of the German group's joint ventures in Belgium.

Klöckner-Werke's shares on the Frankfurt stock market rose to a 1993 high, up DM7 at DM91.50. Traders said the rise was fuelled by speculation that Bremen may put in a bid for the plant on behalf of an industry consortium.

Mr Jäger said that the Bremeo state would rather avoid taking a stake in the steel plant and was seeking private investors.

UAP plans challenge for top position in insurance

By Alice Rawsthorn in Paris

UNION des Assurances de Paris (UAP) has achieved its aim of becoming a force in the European insurance industry following this week's acquisition of a controlling stake in Colonia, the German insurer, according to Mr Jean Peyrelevade, chairman.

He said UAP, the largest force in French insurance, was Enrope's second-lergest insurer and planned to challenge Germany's Allianz for pole position. "UAP is now clearly a force in Europe. We're pleased to have moved into a position where we can prepare for the race to the top."

UAP, a candidate for privatisation by France's centre-right government, has for four years been trying to take over Colonia, the secood-biggest German insurer. It sought to negotiate a deal with Suez, the French holding company that owns Victoire, the French insurer with a majority ioterest in Colonia.

Mr Peyrelevade, who was anxious to conclude the deal before UAP's privatisation amid speculation that he was about to become chairman of Crédit Lyonnais, the French bank, concluded the deal on Tuesday.

The agreement, a complex combination of cash payments and share swaps, is valued at FFr8bn-FFr10bn ($1.4bn-$1.8bn). However, UAP had paid FFr14bn for a 34 per ceot minority stake in Victoire which it has ceded to Suez. Mr Peyrelevade said the transaction would dilute UAP's earnings per share by 10 per ceot in 1994 and 6.7 per cent in 1995.

UAP intends to consolidate its interests. "The focus of the group will change dramatically to internal growth and profitability," said Mr Peyrelevade. "After all, we've run out of money and we wouldn't want to be imprudent."

UAP still plans to expand its UK interests beyond its existing life insurance business. Mr Peyrelevade said that he hoped next year to conclude talks with a UK partner.

Christiania Bank prepares issue

By Karen Fossli in Oslo

NORWAY'S finance ministry yesterday cleared the way for state-owned Christiania Bank, Norway's second-biggest bank, to be partially privatised. The ministry also said it expected Den norske Bank, the biggest bank, to make a public offering of shares.

Earlier this year, the ministry indicated that it would dispose of at least part of its shareholding. However, yesterday it said an issue of new shares, which would dilute the state's stake, was more likely.

"Christiania has now been given the clear signal to prepare a major issue of new shares which can take place either late this year or early next year," the ministry said.

Mr Ole Kristian Udnes, Christiania's chief financial officer, said he welcomed the state's decision to approve a public offering rather than a state sell-off.

"Our feeling is that the market is positive towards a share issue and various market players have expressed interest in Scandinavian bank shares in general," Mr Udnes said.

He added that Christiania hoped to disclose details of the offering on November 4, when the bank's third-quarter result is due to be published, or shortly afterwards.

Domestic banking industry sources expected Christiania's issue to be launched in two steps to test market conditions.

DnB, which is 69 per cent owned by the state, said that it hoped to disclose details of a possible share issue on October 26, when the bank will publish its third-quarter figures. However, DnB is not expected to launch a share offering until 1994 and it is likely to be smaller than Christiania's.

Christiania Bank and DnB returned to profit in the first half after several years of losses. DnB then said it did not need to call on a NKr600m ($85.7m) state guarantee. In Oslo, DnB's A-shares closed NKr0.20 higher at NKr18.60.

ICI adds to explosives division

By Philip Gawith in Johannesburg and Paul Abrahams in London

IMPERIAL Cbemical Industries, the UK's biggest chemicals concern, has reinforced its presence in the civil explosives industry by acquiring a 51 per cent stake in AECI Explosives of South Africa.

The deal is an asset swap in which ICI exchanges a 25 per cent stake in AECI, a South African petrochemicals, paints and agricultural products company, for control of AECI's explosives husiness. ICI retains a 13.3 per cent stake in AECI.

Mr Bob Clarke, chief executive of ICI Explosives, described the deal as "the most important step in ICI Explosives for very many years".

The deal adds a business with sales of £150m-£200m to ICI's explosives division which last year had a turnover of £573m.

AECI's explosives operations, which supply the construction and mining industry, have trading margins just below the 10 per cent achieved by ICI's existing explosives operations.

Mr Rob Margetts, ICI board director, said: "Now sanctions have been dropped we expect to export significant quantities from South Africa."

The deal was part of ICI's strategy to focus resources on global ousinesses in which the company could be a leader, said Mr Margetts. It reinforced ICI's position as the leading manufacturer of civil explosives, he added.

The petrochemicals operations which the British company has divested in the swap are not core activities.

The new holding company of AECI will be Anglo American Industrial Corporation which held a 38 per cent stake.

Mr Mike Sander, AECI managing director, said the joint venture would be strengthened by an enhanced capability to meet international competition and by improved access to foreign markets and investment opportunities.

Mr Sander added that the deal would help AECI to create strong, self-standing businesses. AECI is South Africa's leading supplier of chemicals and related products. After difficult years in 1991 and 1992, AECI lifted net profits in the first half of 1993 to by 50 per cent to R75m (£14.5m).

French utility details plans for investment

By David Buchan in Paris

COMPAGNIE Générale des Eaux, the French industrial holding company, indicated yesterday that some of the proceeds of its planned FFr3bn-FFr4bn ($535-$714m) rights issue would be devoted to developing cellular phones in Europe and electricity production in the US. These are among the group's fastest-growing activities, and it plans FFr3bn investment this year.

Announcing the rights issue on Tuesday night, the company said its aim was to "reinforce its own funds", bnt a spokeswoman yesterday pointed out that group equity, together with convertible bonds, totalled FFr29bn, outweighing long-term debt at the end of last year.

The rights issue brings to FFr35bn the amount of new equity that companies bave raised, or plan to raise, this year, in addition to the government's programme to sell around FFr40bn of state assets this autumn.

This compares with a total of FFr50bn equlty raised last year. The volume of convertible bond issues has risen from FFr3bn in the whole of 1992, to FFr12bn so far this year.

Générale des Eaux said it would spell out the aims of its rights issue shortly when fixing the terms.

Mr Olivier Fèrve, an analyst with Barings Securities said using the total FFr4bn to reduce debt "would be in the short-term interest of shareholders because it would not dilute earnings per share".

Benetton sells 10% stake in banking arm

By Robert Graham in Rome

THE BENETTON family has agreed to let Banco Ambrosiano Veoeto (Ambroveneto) take a 10 per cent stake in 21,Investimenti, their merchant banking arm.

21,Investimenti, owned by tbe Beoettons through their main holding, Edizone Holding, was formed two years ago with a L40bn ($25.1m) capital. Ambroveoeto is expected to pay L6bn for the shareholding, which in turn will prompt a capital increase.

Benetton, Italy's biggest producer of casual clothes, has used 21,Investimenti to invest in high-quality brand names that coincide with the group's sport and greeo life-style image. The investments include a 50 per ceot stake in TWR, the UK sports car company.

Ambroveneto is Italy's largest private bank. It is one of tbe first instances of an Italian bank taking advantage of new legislation permitting them to invest directly in businesses.

Stroeher family to sell part of Wella holding

DESCENDANTS of Mr Franz Stroeher, the founder of Wella, tbe German personal care products manufacturer, will offer a portion of their stake in the company as common shares on German and Swiss stock exchanges, AP-DJ reports from Darmstadt.

The Stroeber family still owns 66.8 per cent of the company's share capital and will offer 20 per cent of their stake – 13.4 per cent of the company – to cover inheritance taxes, Mr Peter Zuehledorff, the chairman, said yesterday.

The timing of the issue has not been determined.

Wella will propose the transformation of registered ordinary stock into ordinary bearer shares at an extraordinary shareholders' meeting. Following this change, the shares would be listed in Frankfurt, Berlin, Vienna, Zurich, Geneva and Basle.

Preferred shares, which represent 33.3 per cent of the company's capital, are already traded publicly.

An undetermined portion of tbe newly available common shares would be offered to owners of the company's preferred shares but no price has been set for the shares. No capital increase is planned, Mr Zuehlsdorff said.

Wella has previously reported that sales for the first nine months of 1993 were up a sluggish 3.2 per cent over the same period last year.

However, Mr Zuehlsdorff said the company expects full-year sales growth to reach 6 per cent, for a total of DM2.9bn, citing a strong increase in recent months.

A first-time consolidation of brands acquired from SmithKline Beecham in June will also boost the full-year figure, he added.

Mr Zuehlsdorff also said he expects profits for the year to grow more quickly than sales.

The company said that two-thirds of the increase in the 1993 dividend would reflect tax changes which have reduced corporation tax. Wella paid a dividend of DM9 a share on ordinary stock on 1992 results and DM10 on preference shares.

Rothschild eyes expansion in Germany

By David Waller in Frankfurt

ROTHSCHILD, the German banking arm of the Rothschild family banking group, is to expand its operations in Germany by providing additional services to private and institutional investors.

The Rothschild empire was founded in Frankfurt in 1792 but the family left Germany in 1901, returning only in 1989 when it opened a joint representative office for its London, Paris and Zurich operations. Since 1989, Rothschild's German business has been concentrated on corporate finance and private client activities.

Oce declines 26% to Fl 13.9m in third term

By Ronald van de Krol in Amsterdam

OCE-VAN der Grinten, tbe Dutch photocopier and office equipment maker, reported a 26 per cent fall in third-quarter net profit. This comes after declines of nearly 50 per cent in each of the first two quarters of 1993.

Net profit fell to Fl 13.9m ($7.7m) from Fl 18.8m in tbe third quarter of 1992.

Figures for the nine-months were down 42 per cent et Fl 40.6m.

The company blamed the decline on lower sales, caused mainly by tha weakness of European economies and which extended the first-half trend.

The depreciation of important currencies against the Dutch guilder continued in the third quarter, but at a reduced rate.

Third-quarter sales fell by 6 per cent to Fl 603m. In the first three quarters taken together, sales declined by 7 per cent to Fl 1.85bn.

Oce-van der Grinten said it would pay an unchanged interim dividend of Fl 0.90. However, it said the interim dividend should not be seen as an indication of the level of the final dividend.

INTERNATIONAL COMPANIES AND FINANCE

Yaohan International plans HK$662m flotation

By Simon Davies in Hong Kong

YAOHAN International, holding company of the Hong Kong-based Japanese retail group, yesterday announced it is to raise HK$662.5m (US$85.7m) through a flotation on tha Hong Kong stock market.

The company has a disappointing track record on earnings from its core retail business, bnt profits have been boosted by property disposals. Investors are expected to subscribe because of the group'a long-term China ambltions, and the impressive connections of its chairman, Mr Kazuo Wada.

Yaohan's board of directors includes the former chief executive of the Hong Kong Stock Exchange and chairman of the Securities and Futures Commission, in addition to the chairmen of Citic Australia and China Resources. This demonstrates the level of business clout Mr Wada has achieved since he moved headquarters to Hong Kong in 1990.

Yaohan International controls three listed companies in Hong Kong, which own local department stores, restaurants and food processing operations, but it will also be the primary vehicla for Mr Wada's push into China.

The company has a 36 per cent stake in a joint-venture department store being constructed in Shanghai. The store will cost US$100m to build, and when complete in late 1995 will be the largest store in Asia.

The Chinese projects are all long-term, and the short-term ontlook for Yaohan International is less dynamic. In the year to March 1993, property sales accounted for HK$136m out of operating profit of HK$264m.

In the current fiscal year, property profits of HK$170m are already locked in, and represent the hulk of earnings growth in a prospectus forecast of HK$265m.

Yaohan International is offering 247.2m new shares at HK$2.68 a share, representing 25 per cent of the anlarged share capital of the company.

NZ insurer in Australian deal

By Nikki Tait in Sydney

TOWER Corporation, which claims to be the largest mutual insurance group in New Zealand, is acquiring the Australian operations of the UK's Friends Provident in an attempt to step up its presence in the Australian market.

No price was disclosed for the deal. However, Friends Provident Australia, based in Sydney, has around A$1bn (US$661m) in assets and some 100,000 policyholders. Annual premium income is put at approximately A$120m to A$130m.

The deal significantly expands Tower's Australian operations, based in Melbourne. Mr James Boonzair, Tower's managing director, said the combined Australian businesses would have about 140,000 policyholders, and assets of A$1.3bn. Tower Corporation, he added, had been seeking "critical mass" in Australia, and the merger should make a "viable Australian company".

Friends Provident is owned by Eureko, the European financial services group formed by four insurance businesses based in Scandinavia, the Netherlands and the UK. Eureko said yesterday that Friends' Australian arm needed to be larger, and required more local support than Eureko wished to provide.

The Amsterdam-based partnership added that, although the bulk of its operations are based in Europe, there were no plans to dispose of the two North American businesses – a life company based in Vancouver, and a medical insurance operation in Indiana.

Boral drops Sagasco bid conditions

BORAL, the Australian building products and energy group, yesterday waived some the technical conditiona attached to its A$760m (US$502m) takeover bid for Sagasco Holdings, the Adelaide-based gas producer, but mada no change to the A$3.50-a-share offer price, writes Nikki Tait.

The dropping of the conditions gives Boral additional flexibility in the latter stages of the bid contest, although the predator has maintained the key 50.1 per cent acceptance condition.

Sagasco has already rejected Boral's bid as inadequate. Much now depends on what the South Australian government decides to do with its remaining 31.8 per cent interest in Sagasco. Boral already owns 19.9 per cent of Sagasco, bought from the state government, and purchase of the remaining interest would be sufficient to give Boral control of its target.

NEWS DIGEST

Shell Forestry rationalises in NZ

SHELL Forestry, a subsidiary of the international oil company, has sold its 40 per cent stake in Baigent Forest Industries to Carter Holt Harvey as part of a rationalisation of its once substantial New Zealand forestry assets, writes Terry Hall in Wellington.

Carter Holt Harvey, which is controlled by a consortium of US-based International Paper and Brierley Investments, announced yesterday that it was buying the half share of Baigent Industries that it did not already control.

Carter Holt Harvey said that it was paying NZ$105m (US$58m) for the shares held by Shell and the 10 per cent owned by Todd Forestry, a New Zealand-owned company.

Baigent owns 28,269 hectares of forests in South Island and a modern sawmill which produces 140,000 cubic metres of timber a year. The company is upgrading the mill at a cost of NZ$4m.

SAB subsidiary in $20m brewery deal

SOUTH African Breweries said that its Dutch-based subsidiary Indol International had reached agreement in principle with the Tanzanian government to buy 50 per cent of its Tanzania Breweries, Renter reports from Johannesburg.

A spokesman for SAB said that the $20.5m deal hinged on the company satisfying certain regulations in South Africa.

Sega and Fuji join multimedia forces

SEGA Enterprises and Japan's Fuji Television Network said they would start selling new video game software next year in what they called the first step of broadened co-operation in multimedia, Reuter reports from Tokyo.

The first project is designed to combine Fuji's assets of pictures and sound of Formula One motor racing with Sega's expertise in developing video game software.

Mars plans to invest $10m in India

MARS, the New Jersey-based company, plans to invest Rs320m ($10m) to set up two factories in India to tap into the Rs8bn-a-year market for chocolate and cocoa-based products, AP-DJ reports from New Delhi. The company will employ 300 workers and production is to start in 1996.

Ciba sales rise 8.3% to SFr5.2bn in third term

By Ian Rodger in Zurich

CIBA, the Swiss pharmaceuticals and chemicals group, reported an 8.3 per cent upturn in sales in the third quarter to SFr5.2bn ($3.7bn), and reiterated its forecast of an increase in net income for the full year.

Sales in all three divisions grew in the third quarter, in contrast to the generally flat and lower trends in the first half. Part of the gains came from the appreciation of foreign currencies, especially the US dollar, against the Swiss franc.

The haalthcare division, which accounts for nearly 40 per cent of group turnover, reported a 13.9 per cent rise in sales in the quarter, to SFr6.7bn.

Sales in the relatively small diagnostics and vision businesses were ahead by 44 per cent and and 26 per cent respectively.

The core pharmacentical business lifted sales 8.6 per cent to SFr1.6bn as the effects of the US introdnction last year of the Habitrol patch to halp people stop amoking waned.

Sales in tha agricultural chamical division advanced 10.1 per cent to SFr839m, fulfilling the gronp'a expectations of a stronger second half in the US and in the southern hemisphere.

The industrial businesses – mainly dyes, additives, pigments and polymars – also recovered, with sales up 2 per cent in the qnarter to SFr2.1bn.

For the nine months, gronp sales were flat at SFr17.1bn.

Finnish elevator group falls 16% at eight months

By Christopher Brown-Humes in Stockholm

KONE, the Finnish lifts and cranes group, yesterday blamed falling European demand for its elevators as well as currency factors for a 16.6 per cent drop in profits after financial items to FM201m ($35m) for the first eight months.

Overall, sales were up 20 per cent at FM7.4bn, due to the weaker markka. The rate of growth was slightly lower at Kone Elevators, which accounts for 71 per cent of sales, where turnover grew from FM4.5bn to FM5.3bn.

Lower European demand for new lifts and modernisation, particularly in Finland, France and Italy, has pushed down the real value of the elevator unit's orders by 5 per cent, in spite of growth in eastern Asia.

Second-half improvement at Engen

By Philip Gawith in Johannesburg

AN IMPROVED second-half performance helped Engen, the energy unit of South Africa's Gencor mining group, lift net income by 13 per cent to R480m ($139m) in the year to August, from R424m a year ago.

Earnings, which were in line with market expectations, were helped by the higher volumes of crude oil processed at the Engen refinery in Durban following the successful commissioning of a R500m expansion project. The dividend was increased by 12 per cent to 154 cents per share, against 137.5 cents last time, on earnings of 309 cents per share compared with 275 cents.

The company was reluctant to offer a specific earnings forecast, saying it depended on the economy recovering from recession and political stability. With the benefits of the refinery upgrade now available for a full year, however, they were optimistic that earnings should improve.

Turnover rose by 17.7 per cent to R7.7bn, from R6.6bn, due mainly to two government-imposed rises in petrol prices during the year. There was no volume growth in the domestic market.

Continuing benefits from overseas markets re-opening to South Africa in the wake of political reform helped boost export volumes by 70 per cent. Engen now exports to 26 countries, mostly in Africa. Margins on these sales are considerably lower than in the domestic market.

Operating income rose by 47.1 per cent to R578m, but financing income fell to R15m from R140m in 1992 as rights issue cash was spent. As a result, pre-tax income was only 11.4 per cent higher at R594m (R533m).

A R115m programme to convert the livery of petrol stations to Engen from Mobil (Engen was formed on the rump of the disinvesting Mobil in 1990) is nearly complete and has boosted market share, which reached 25.8 per cent in the gasoline market in the second half-year.

Outokumpu unit sale raises $129m

By Christopher Brown-Humes

OUTOKUMPU, the Finnish mining and metals group, has raised $129m from the sale of OM Group, its US speciality chemicals unit.

It had been hoping to raise as much as $170m from the disposal, but this was before poor market conditions forced it to postpone the sale, planned for last April.

OM Group is being bought by US, European and Asian investors through a public offering. The transaction has been underwritten by a group of US and international investment banks led by Lehman Brothers, Donaldson Lufkin and Jenrette and Goldman Sachs at $14 a share.

Outokumpu said earlier this year that OM Group was not a core business. The disposal will strengthen its equity-to-assets ratio by 2.5 percentage points to 23.5 per cent, taking it nearer its 30 per cent target.

OM Group's finances have been strengthened by a simultaneous primary issue of shares, which raised $17m.

The unit, based in Cleveland, is one of the world's leading producers of metal-based speciality chemicals, with manufacturing facilities in the US, Finland and France. Sales in 1992 amounted to $201m and it has about 300 employees.

Marubeni to write off Y23bn in loans

By Emiko Terazono

MARUBENI, a leading Japanese trading house, will liquidate part of its securities investment made during the late 1980s, writing off some Y23bn ($217m) in extraordinary losses.

Many Japanese companies poured money into the stock market during the economic "bubble" of the late 1980s through *tokkin*, or specified money trusts. However, most companies suffered heavy losses due to the plunge in Japanese share prices in 1990.

The move comes amid increasing fears that Tokyo share prices will slip again in the next few months. Sumitomo Corporation and Mitsubishi Corporation, leading trading houses, recently wrote off investment losses incurred by financial subsidiaries.

Such affiliates were set up as "profit centres", and to act as a banker for other subsidiaries, borrowing from banks and raising money on capital markets, and passing on savings to smaller members of the group.

Weak demand affects Japanese retailers

By Emiko Terazono in Tokyo

TWO Japanese retailers belonging to the Seibu Saison group, a leading retail and consumer services concern, were hit by sluggish consumer confidence due to the weak economy and bad summer weather.

Seiyu, a supermarket chain which owns the Intercontinental Hotel group, saw a 3.3 per cent decline in sales to Y529.3bn ($4.9bn) for the first six months to August and a 15.6 per cent drop in operating profits to Y12.4bn.

Cost cutting efforts and a decline in interest payments on borrowings helped the company to post a 0.7 per cent rise in pre-tax profits to Y7.5bn. After-tax profits fell Y19.5 per cent to Y4.3bn.

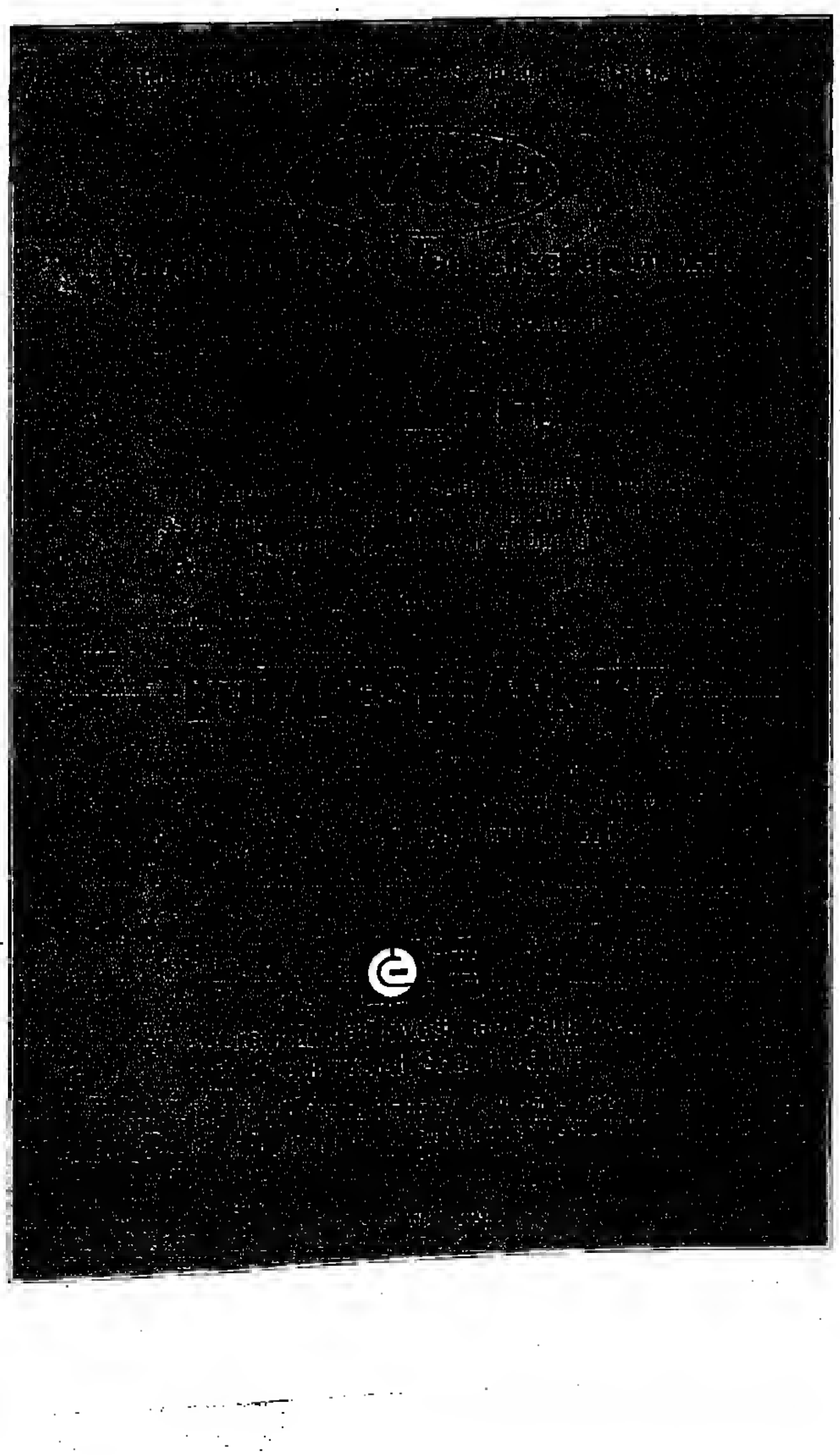
Mr Katsuhiro Fujiseki, president of Seiyu, said a full recovery in consumer spending was unlikely before the second half of the next business year to February 1995.

For the year to next February, the company expects pre-tax profits to rise 1.3 per cent to Y13bn on a 2.8 per cent fall in sales to Y1bn.

Family Mart, the country's third-largest convenience store operator and a subsidiary of Seiyu, saw a 4.8 per cent fall in pre-tax profits to Y8bn. After-tax profits fell Y3.6 per cent to Y3.9bn.

Operating profits dropped 5.6 per cent to Y7.3bn, the first year-on-year decline, while sales at existing stores fell for the first time by 0.7 per cent.

For the full year to February the company expects pre-tax profits to rise 0.6 per cent to Y17bn on a 4 per cent rise in sales to Y77.5bn.



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BellSouth buys 22.5% of cable television operator

By Richard Tomkins in New York

BELLSOUTH, one of the US regional telephone companies, yesterday secured a foothold in the cable television business by agreeing a $250m deal that will give it a 22.5 per cent stake in Prime Management, Texas-based operator of the Prime Cable service.

The deal echoes yesterday's much bigger merger between Bell Atlantic and Tele-Communications Inc by allowing BellSouth to expand beyond its telephone and wireless communication operations into cable services and interactive entertainment.

BellSouth, based in Atlanta, Georgia, has 19m telephone subscribers across nine south-eastern states of the US, while Prime's cable systems serve more than 500,000 customers in US markets including Houston, Chicago and Las Vegas.

In exchange for its stake in Prime, BellSouth will lend the company $250m, which Prime will put towards a $450m recapitalisation of Community Cable Television, a Las Vegas-based cable operator in which Prime has a stake.

Community Cable, with more than 303,000 cable connections, owns Hospitality Network, which provides interactive television services in 70,000 hotel rooms nationwide.

BellSouth's financial backing should enable Prime to accelerate the growth of its cable services, while BellSouth will gain from the opportunities to feed its telephone services through Prime's cable networks in new geographical markets.

Mr William Reddersen, BellSouth's recently-appointed senior vice-president in charge of broadband strategies, said: "This is another significant step in preparing BellSouth to capitalise on the emerging opportunities in interactive television, consumer entertainment and the convergence of the communications and cable industries."

The deal is not expected to affect BellSouth's reported interest in joining QVC Network in its bid for Paramount Communications.

However, it was unclear yesterday whether there would still be a role for BellSouth following Bell Atlantic's involvement in the bid through its takeover of Tele-Communications Inc, a QVC ally.

Japanese broker upgrades forecast

By Emiko Terazono in Tokyo

DAIWA Securities, one of Japan's big four brokerage houses, yesterday moved against the trend in the domestic market and upgraded its interim earnings forecast.

The firm said that the improved result would be due to higher-than-expected bond trading profits in the wake of lower interest rates.

Daiwa raised its expected pre-tax profit for the first six months to September to ¥35.3bn ($333m) from ¥30bn, nearly 20 times the amount earned in the corresponding period last year.

The announcement reflects a difference in investment strategies between Daiwa and other leading brokers. Last month, Nomura Securities, the largest broker, Nikko Securities and Yamaichi Securities, revised downwards their expectations due to weaker-than-expected stock trading commissions on the Tokyo market.

During the six months to September, daily value of turnover on the Tokyo stock exchange was 10 per cent lower than original expectations, and the Nikkei index hovered around 20,000.

Daiwa placed the bulk of its funds into the government bond market, which rallied because of lower interest rates. An increasing number of investors, discouraged by the sluggish stock market, also piled into the market.

Daiwa said commission income was also better than expected.

Earnings at Weyerhaeuser fall 38% amid depressed conditions

By Frank McGurty in New York

WEYERHAEUSER, the US forest products group, yesterday said its third-quarter earnings had fallen by 38 per cent, as a sharp decline in paper and pulp prices offset a strong performance by its timber business.

The company, the world's largest private owner of softwood timber, linked its overall performance to depressed conditions in the North American pulp and paper industry. In this segment, profits were $2.5m, a sharp drop from last year's $61.2m.

Prices for most paper and pulp products had fallen about 20 per cent from 1992 levels, the company said. In addition, it had curtailed production levels at some mills because of soft market conditions.

Net income for the 13 weeks to September 26 was $66.6m, or 32 cents a share, compared with $107.2m, or 53 cents, in the third quarter of 1992, which was a period of robust growth for the company.

Revenues slipped 5 per cent to $2.22bn, from $2.35bn a year earlier.

Excluding special factors, however, the decline in earnings was marginal.

The 1993 results included a charge of 10 cents a share to provide for changes in the federal corporate tax rate enacted this summer. Last year's figure, meanwhile, reflected a one-time gain of 8 cents a share following the partial settlement of tax refund dispute.

By contrast, Weyerhaeuser's timberlands and wood products division continued to improve. Operating earnings climbed to $165.8m, against $103m last time, as supply shortages lifted prices for logs and lumber. Sales volume for most products also surpassed year-earlier levels.

Weyerhaeuser's property and financial services operations earned $11.2m in the quarter, compared with $27.3m last time. The decline in part reflects the sale earlier this year of GNA Corp, a mutual fund business.

Although the results were in line with most analysts' expectations, the announcement was followed by a dip in Weyerhaeuser's shares. By midday, the stock was down $¾ at $39.

Higher taxes hit US paper group

By Karen Zagor in New York

INTERNATIONAL Paper, the US forest products group, posted third-quarter net income of $48m, or 39 cents a share, including charges of $28m, or 23 cents, reflecting a higher federal income tax rate.

Sales slid to $3.4bn from $3.5bn.

Stripping out the tax adjustment, net income was $76m, or 62 cents, in the quarter. In the same period of 1992, International Paper earned $98m, or 81 cents.

Mr John Georges, chairman and chief executive, said depressed pricing levels for paper and packaging products in the US and abroad had dampened the cyclical rebound that the company had been expecting.

For the first nine months, net earnings were $189m, or $1.53, on sales of $10.3bn, against income of $282m, or $2.17, on sales of $10.2bn last year.

Record profit at First Chicago

By Patrick Harverson in New York

FIRST Chicago reported a record profit of $284m for the third quarter yesterday as the company rebounded strongly from the $372m loss incurred in the same period last year.

The mid-western banking group, the 13th-largest in the US, fell deep into the red in 1992 after it took a $625m special provision to cover credit losses related to the disposal of problem property assets.

With the bulk of the asset disposal programme over, First Chicago attributed its latest improvement to strong contributions from all its main business lines, particularly proprietary trading and venture capital.

The bank reported earnings of $117m from its venture capital business, from virtually nothing in the same quarter a year ago.

Earnings from the trading of primarily interest rate options, swaps and foreign exchange totalled $77m, the second best quarterly trading performance in the bank's history.

Non-interest income was also boosted by continued growth in First Chicago's credit card business, where fee revenues rose to $186.7m, up from $138.6m a year ago, as total managed receivables grew by 23 per cent to $9.6bn.

Net interest income was $341m in the quarter, up from $294m in the same period of 1992 as the bank's loan assets shrank 10 per cent to $21.6bn.

The bank's shares rose $⅞ to $50¼ on the New York Stock Exchange in early trading.

Boost for home shopping industry

By Martin Dickson in New York

THE US television home shopping industry received a boost when two separate cable television groups announced ventures involving CUC International, which offers home shopping to some 30m Americans via the telephone and computer.

Viacom, the cable company bidding for Paramount Communications, said it would be testing a home shopping service, in conjunction with CUC and American Telephone & Telegraph, in the Castro Valley, California, where Viacom and AT&T are due to launch a full-scale test of interactive television services next year.

Time Warner, the second largest US cable operator, said it had agreed with CUC to create an interactive home shopping service in Orlando, Florida, where Time Warner is establishing its first commercial interactive-television service, the Full Service Network.

Viacom, whose bid for Paramount is competing against a higher but hostile offer from QVC – one of the largest television home shopping networks – said the Castro Valley test would give customers the same broad range of products and services CUC offered to members through telephones and computers.

Time Warner said its service would offer merchandise from CUC's database of 250,000 brand-named products and would allow customers to view and buy items on demand. CUC would use its existing systems to process orders.

Time Warner announced last month that it and Spiegel, a leading specialty fashion retailer and catalogue company, were joining forces to create two new cable channels.

Bankers Trust sets up $12m oil facility

By Antonia Sharpe

BANKERS Trust has structured and arranged a $12m facility which provides protection against fluctuations in the price of crude oil for Sonangol UEE, Angola's national oil company.

Sonangol has already drawn about 10 per cent of the one-year facility which will finance the installation of a floating production, storage and offloading vessel so that two previously-drilled oil wells can be brought on stream.

Bankers Trust has provided a hedge for about 2m barrels of crude oil. Mr Ted Giletti, managing director of Energy Merchant Bank, part of Bankers Trust, said the hedging mechanism was necessary because of the size of the facility relative to the projected oil flow rate.

Travelers hit by asbestos claims

By Patrick Harverson

A RISE in the number of environmental damage and asbestos-related claims has forced Travelers, the US insurer, to add $325m to its property-casualty reserves and take an after-tax charge of $211m in its third quarter.

The addition to reserves and charge mean Travelers will record a net loss for the July-September reporting period when it releases its results next week.

The company, however, said its operating earnings will show an improvement over the year.

Primerica Corporation, the financial services group which owns a 27 per cent stake in Travelers and which agreed last month to a full merger with the insurer, said yesterday the charge would have no impact on its third quarter or full-year results.

Travelers said it has bolstered its asbestos and environmental litigation reserves, which now stand at $670m, for three reasons: an increase in the number of industry workers alleging they have been exposed to asbestos; a rise in environmental claims made by smaller companies; and the naming of Travelers as a defendant in insurance coverage cases brought by other insurers against their policyholders and the policyholders' other carriers.

Investors took yesterday's announcement in their stride, and by midday Travelers' share price was unchanged at $38 on the New York Stock Exchange.

Sara Lee buys Finnish concern

SARA LEE, the US food and consumer products group, is to buy Finland's Viking Coffee Company, Reuter reports.

Sara Lee said it expected to finalise the deal, of which no financial details were given, by the end of this year.

Viking Coffee produces roasted coffee in Finland and Sweden. It has annual sales of around $45m.

Cash call from Austrian rail unit

By Ian Rodger in Zurich

VOEST Alpine Eisenbahnsysteme (VAE), the partially privatised Austrian maker of points (switches) and other specialised railway equipment, is raising about Sch300m ($27m) in a one-for-six rights issue.

The funds would be used to help finance the group's expansion plans at factories in the US, Canada and probably China. Its capital budget for this year is Sch190m and for the 1994-96 period Sch540m.

The group's controlling shareholder, the state industrial holding company Austrian Industries (AI), is not taking up its rights and is selling 248,000 of its existing shares to reduce its stake from 51 per cent to a blocking 26 per cent.

VAE, which has been expanding rapidly in world markets for high-speed and heavy-duty railway installations, was floated last November on the Vienna Börse when AI sold 49 per cent of its holding at Sch915 a share.

The price of the rights shares will be fixed on November 18 and the group said it would be "close to the market price", which was Sch1,495 yesterday.

The new Sch100 nominal shares will qualify for the dividend for 1993, which the company has agreed to raise to 32 per cent from 18 per cent.

The rights issue is being underwritten and the placement managed by Bank Austria Investment Bank and S.G. Warburg.

VAE said it expected its net income to rise 6.3 per cent to Sch94m this year.

● Austria Mikro-Systeme (AMS), a specialised semiconductor maker which was floated off from Austrian Industries earlier this year, reported pre-tax profit of Sch20m in the first half, 43 per cent higher than in the same period of 1992.

INTERNATIONAL CAPITAL MARKETS

Gilts show resilience to inflation data

By Conner Middelmann in London and Patrick Harverson in New York

UK GILTS surprised many with their resilience in the face of a higher-than-expected September RPI figure. Longer-dated bonds dipped after the release but recovered to end only slightly lower. The long gilt contract slipped by ¼ to close at 114$\frac{5}{32}$.

"I expected a bigger sell-off after these numbers," said one senior trader. Gilts were supported by heavy futures buying when the contract dipped below 114, he said. However, he warned that the market is vulnerable to further setbacks in coming days.

GOVERNMENT BONDS

Offsetting the inflation numbers and boosting the short end were weak manufacturing output data, which fuelled hopes for a rate cut and spurred domestic buying of maturities up to five years.

However, many retail investors stayed on the sidelines ahead of today's economic releases, which include September jobs data, August average earnings and manufacturing unit labour costs.

■ GERMAN government bonds wiped out early gains in late trading and the December bund future closed at 99.98, down 0.04 points from Tuesday and off its 100.15 intra-day high. The unchanged 6.70 per cent rate on the Bundesbank's 14-day securities repurchase agreements disappointed some traders, who had hoped it would edge slightly lower.

Bund futures were further pressured by late profit-taking and by banks hedging their positions in the new government bunds. The government issued DM4.11bn of 6 per cent bunds at 100.71 and above.

"People were so bullish they bid for the paper at the top of the market, but they couldn't place it so they had to hedge," said one London trader. The bonds ended at 100.63 bid, yielding 5.91 per cent.

■ FRENCH bonds outperformed bunds, with the notional bond future hitting a record high at 124.44 and closing at 124.32, up 0.14 points.

Boosting bonds but undermining the currency was talk that the Bank of France may cut its repo rate at today's open-market operation.

■ BELGIAN bonds also ended the day higher, in spite of the Belgian franc's weakness, which prompted intervention by the central bank.

The yield premium of Belgian bonds over bunds narrowed to 131 basis points, from 134 on Tuesday.

■ US TREASURIES were mixed in light trading yesterday morning as traders and investors kept their eye on the chairman of the Federal Reserve's testimony to Congress on plans to reform the central bank.

By midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at 104¾, yielding 5.904 per cent. At the short end, the two-year note was down $\frac{1}{32}$ at 100$\frac{1}{8}$, to yield 3.808 per cent.

Rising gold prices had contributed to Tuesday's late declines, but yesterday morning there was evidence of further gains in precious metals, which allowed longer-dated securities to open modestly higher.

Trading was generally lacklustre, with participants unwilling to get too involved ahead of the September inflation data, due out today and tomorrow.

FT FIXED INTEREST INDICES

	Oct 13	Oct 12	Oct 11	Oct 8	Oct 7	Year ago	High *	Low *
Govt Secs (UK)	102.81	102.84	102.55	102.58	102.44	90.18	102.55	93.28
Fixed Interest	124.27	124.42	124.38	124.21	124.11	104.73	125.20	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 12	Oct 11	Oct 8	Oct 7	Oct 6
Gilt Edged Bargains	105.4	124.2	90.8	90.0	107.1
5-Day average	103.4	104.1	97.3	98.3	99.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.6727	-0.004	6.82	6.83	6.61
BELGIUM		9.000	03/03	111.5050	+0.205	7.27	7.20	7.11
CANADA *		7.500	12/03	105.3000	+0.050	6.77	6.92	6.73
DENMARK		8.000	05/03	110.8000	+0.050	6.45	6.57	6.80
FRANCE	BTAN	5.750	11/98	100.9245	+0.304	5.53	5.55	5.80
	OAT	6.750	10/03	105.8800	+0.280	5.95	5.99	6.11
GERMANY		6.500	07/03	104.0050	-	5.94	5.99	6.14
ITALY		10.000	08/03	107.9800	+0.500	8.99†	9.11	9.43
JAPAN	No 119	4.800	06/99	107.9067	-0.003	3.16	3.22	3.57
	No 157	4.500	06/03	105.1426	-0.036	3.76	3.57	4.18
NETHERLANDS		7.000	02/03	107.6400	+0.140	5.88	5.89	6.00
SPAIN		10.500	10/03	113.5000	+0.800	8.77	8.87	9.03
UK GILTS		7.250	03/98	105-30	+1/32	6.22	6.26	6.24
		8.000	06/03	108-09	-3/32	6.81	6.82	6.77
		9.000	10/08	116-26	-7/32	7.15	7.16	7.11
US TREASURY *		5.750	08/03	103-22	+15/32	5.26	5.23	5.24
		6.250	08/23	104-22	-11/32	5.91	5.90	5.85
ECU (French Govt)		8.000	04/03	110.7300	+0.380	6.45	6.62	6.58

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Ecu sector gets a boost from the EC

By Antonia Sharpe

THE EUROPEAN Community threw its weight behind the Ecu bond market yesterday with the launch of its widely-expected Ecu1bn offering of seven-year Eurobonds.

Mr Paul Goldschmidt, director at the EC's credit and investment division, said the issue underlined the German constitutional court's ruling in favour of the Maastricht treaty on European union. "The EC is making a political statement with this offering," he said.

INTERNATIONAL BONDS

The other aim was to attract institutional investors who had avoided the Ecu market after Denmark's rejection of the Maastricht treaty in June 1992.

As a result, the bonds were generously priced to yield 12 basis points less than the French government's 9¼ per cent Ecu-denominated OAT due 2000. Once freed to trade they rose from a fixed re-offer price of 98.97 to 99.05, to yield 14 basis points below the OAT.

The EC plans to raise an equivalent amount in D-Marks in the Eurobond market before the end of the month. The Ecu2bn raised through both issues will make up the second tranche of the EC's Ecu8bn lending programme to Italy.

Turkey is expected to go ahead with its £100m offering of 10-year Eurobonds today, even though Moody's, the US credit rating agency, has placed its long-term rating under review for possible downgrading. The bonds, via S.G. Warburg, are likely to be priced to yield 230 basis points over UK government bonds. Before the Moody's announcement, the market had expected the spread to be close to 200 basis points.

Household Mortgage Corporation (HMC), the centralised mortgage lender, is also expected to raise £100m through an offering of mortgage-backed notes via CSFB. There will only be one tranche and the notes are likely to have an average life of five years.

The yield on HMC's notes is expected to be well below the yield on NatWest's Class A2 mortgage-backed notes issued at the end of September.

At launch, NatWest's notes yielded 40 basis points over three-month sterling London interbank offered rate and the spread has since tightened to 37½ basis points. The market expects the spread on HMC's notes to be in the low 30s.

CSFB is also arranging a $100m seven-year Eurobond issue with a put option after five years for Trinidad & Tobago. The offering is expected tomorrow or Monday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ING Bank(a)‡	200	(b)	100R	Oct.2005	0.50R	-	Merrill Lynch Intl.
D-MARKS							
JSP Corp.(b)ф	50	1.50	100	Nov.1997	2.25	-	Nikko Bank (Deutsch.)
YEN							
ABB International Finance	10bn	(c)#	100.25R	Jun.1999	0.25R	-	Sakura Fin. Intl./ UBS
GUILDERS							
Rabobank Nederland	500	6.375	99.95R	Jan.2009	undisc.	+19(8¼%Sep07)	Rabobank Nederland
ECUS							
European Economic Community	1bn	6.00	98.97R	Nov.2000	0.30R	-12 (9¼%-00)	BNP/CSFB/Dresdner/GSachs
SWISS FRANCS							
Ibiden Co.(d)*ф	150	0.50	100	Oct.1997	-	-	Nomura Bank (Switz.)
Oeresundsscerbindelsen	100	4.375	102.50	Dec.2003	-	-	Credit Suisse
City of Vienna(e)*	100	4.25	102.05	Nov.1997	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. фWith equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched 16/9/93 was increased to $300m. Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. b) Fixing: 19/10/93. Upward and downward revision clause effective Nov.1995. c) Coupon pays 2.66% from 8/11/93 - 8/2/94 and 3.65% semi-annually thereafter. d) Fixing: 18/10/93. e) Issue launched 8/10/93 was increased to SFr250m.

Belfox in moves to widen its appeal

By Andrew Hill in Brussels

BELFOX, the Belgian futures and options exchange, is preparing for wide-ranging changes which it hopes will broaden the market's appeal.

Formal adoption of the new regulations is expected next month, according to the exchange, which was launched two years ago.

"The aim is to be as attractive as possible and have more participants on our market," said Mr Willi Van Stappen, a Belfox manager, yesterday.

Belfox was hampered in its first year of trading by lack of size and by persistent technical problems. However, it is now gradually introducing new products, including an option on the Bel-20 index of leading Belgian shares, and more options on individual stocks.

Its latest annual report said that Belfox aimed to become "a fully-fledged derivatives market" by the end of the year.

The changes should help bring Belfox into line with other European derivatives markets.

At the moment, for example, only Belgian and Luxembourg brokers and credit institutions are eligible to be brokers or market-makers on Belfox. Following adoption of the new rules, foreign banks and brokers will be able to participate in the market, without having to become clearing members of Belfox.

The new regulations will also widen the definition of futures and options to allow new products – for example, commodities futures – to be traded. The system of fixed commission levels will be dropped, allowing clients, members and intermediaries to negotiate fees.

Trading has picked up since last year, when a "gentlemen's agreement" between 15 institutions had to be put in place to encourage trade in Belgian government bond futures. That agreement ended earlier this year, but trade in the bond futures has been helped by the continued turmoil in European currency markets.

Portugal plans broad changes to withholding tax

By Conner Middelmann

PORTUGAL is planning changes to its withholding tax, which has long discouraged foreign investment in its bond market.

It hopes to introduce a system under which non-residents are refunded within one day, effectively scrapping the withholding tax on foreigners. Investors based in tax havens such as Luxembourg or the Cayman Islands are likely to be excluded.

The system is expected to take effect in January.

Portugal levies a 20 per cent withholding tax on government bonds. While there are a number of double-taxation treaties for non-residents, the cumbersome and time-consuming reclaim procedure has led to an interest rate premium on Portuguese bonds over other markets.

The reforms will apply to all non-residents, including investors in the US and Japan, which have no double-taxation treaties with Portugal.

"This is part of the process of opening up of our capital markets to foreign investors and of bringing conditions in line with international capital markets generally," said Mr Jose Braz, secretary of state for the Treasury.

The plans are contained in the 1994 budget, which goes before the cabinet today. If agreed, it will be presented to parliament tomorrow.

The effective abolition of the withholding tax for non-residents "will remove one of the major deterrents to investment in Portuguese bonds", said Mr Andrew Roberts, of UBS.

Long-dated Portuguese bonds jumped about 1½ points on heavy foreign buying in anticipation of the announcement. The 10⅝ per cent 10-year benchmark yielded 9.22 per cent late yesterday, down from 9.45 per cent on Tuesday.

Portugal's bond market has undergone sweeping reforms over the past year in an effort to boost liquidity and attract foreign buyers. It is estimated that foreigners own some 5 per cent of the market, but the Treasury is said to want to increase this share to between 25 per cent and 30 per cent.

Compared with other European bond markets, Portugal's is relatively small. The five-year sector has some Es217bn of bonds outstanding, the seven-year sector some Es129bn and the 10-year some Es78bn. The Treasury recently shifted most of its issuance to long-dated paper, which is sold at regular auctions.

Nevertheless, fundamental factors favour Portugal, with its stable political situation, easing inflation and declining debt-to-GDP ratio. According to OECD forecasts, that ratio is expected to drop to 4.3 per cent this year from 5.1 per cent in 1992.

With the exception of South Africa, Portuguese long bonds offer the highest nominal yields, which makes them attractive to investors, Mr Roberts pointed out.

Canada Trust and Coldwell unit merge property sides

By Robert Gibbens in Montreal

CANADA TRUST, Canada's biggest trust company which is almost fully owned by Imasco, has merged its property brokerage business with Coldwell Banker of Canada, part of the Coldwell Banker group of the US.

The deal creates the third largest property brokerage in Canada, with annual gross volume of C$5bn (US$3.76bn). It will employ 5,000 people in 300 offices across Canada.

The brokerage will be 60 per cent-owned by CT Financial Services, the financial services arm of Imasco, the tobacco products, fast-food and retailing group which is 40 per cent owned by BAT Industries of the UK. The Coldwell Banker group will own 40 per cent of the merged firm.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:55 pm on October 13

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	103⅞	104⅛	-⅛	5.95
AlbertaProvince 8½ 95	600	109⅞	110¼		4.21
Austria 8½ 95	400	117⅝	117⅞	-⅛	5.22
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 03 LFr	600	98¼	99¼	-⅝	8.26
Sardinance Lux 9¼ 99 LFr	1000				
World Bank 8 96 LFr	1000	102	103	+½	7.08
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	22	46	12
Other Fixed Interest	1	3	11
Commercial, Industrial	235	315	868
Financial & Property	141	159	521
Oil & Gas	19	18	44
Plantations	0	0	5
Mines	57	5	75
Others	57	23	47
Totals	532	568	1,586

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	112	24	Anglian Water Wts	112	+4	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct. 11
- Last Dealings Oct. 22
- Last Declarations Jan. 13
- For settlement Jan. 24

3-month call rate indications are shown in Saturday editions.

Calls: Amber Day, Babcock, Baldwin, Caldwell, Coutts Consulting, Division Group, Lucas Wts., Ricardo, Sleepy Kids, Spring Ram, Storm Group, TR Technology. Puts: Pacer Systems, Ricardo. Put & Call: Aminet, Lucas Wts., Medeva, Tullow Oil, Waverley Mining.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	24	37	48	3½	16	25
(*567)	600	3	14	25½	35	46	53
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds	450	21	34½	-	9½	17½	-
(*457)	475	9	22½	-	24½	31	-
[illegible]							

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	120	9½	14	17	7½	12½	14½
(*126)	130	5½	9½	13	13½	18½	20
[illegible]							

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Forte to float airport services side next year

By Michael Skapinker, Leisure Industries Correspondent

FORTE, the hotel and restaurant group, said yesterday that it intended to float its airport services division on the Stock Exchange early next year.

Forte had signalled the move last year when it failed to sell the business, along with its Gardner Merchant contract catering division, to the Compass group. Gardner Merchant was sold to its management and a venture capital consortium at the end of last year.

Some analysts had expected the division's flotstion to take place in a few years' time. The market, however, quickly digested the news of a quicker flotation and Forte's shares closed down 5p at 222½p.

The group said the exact timing of the flotation would depend on stock market conditions next year. The division is expected to he valued at between £200m and £250m. Mr Rocco Forte, chairman, said he would he happy with a price above £210m and would not want the division to be valued at anything below that.

Forte will retain a 25 per stake whicb Mr Forte described as a medium-term investment.

The division, which employs 6,000 people worldwide, has two sectors: flight catering and airport retailing.

The catering arm provides 45m in-flight meals a year to 150 airlines. The airport retailing arm is the largest in the UK.

The division made trading profits of £17m on turnover of £404m in the year to January 31 1993. In the first half of the current year, trading profits were £12m on turnover of £208m.

Mr Bruce Jones, an analyst with Smith New Court, said that although the planned flotation had been announced some time ago, he still questioned its wisdom. The airline meals business fitted in well with Forte's other catering activities, which include the Welcome Break, Happy Eater and Little Chef roadside restaurant chains.

Mr Forte said, however, that the provision of in-flight meals was more of a manufacturing than a catering business.

Analysts said the sale would reduce pressure on Forte to accept a low hid for its Harvester restaurant chain, which is up for sale. They said the flotation would also reduce the likelihood of a rights issue. Mr Forte said he did not believe the group needed a rights issue and none was planned.

He said some of the flotation proceeds would be nsed to reduce debt, which stood at £1.3bn at the end of July.

The remainder would he used to expand the remaining hotel and restaurant businesses. Mr Forte said no large acquisition was in prospect.

Allders pathfinder indicates strong advance to £23m

By Maggie Urry

OPERATING PROFITS at Allders, the department store and duty-free retailer, are estimated to have reached £23m in the year to September 30.

That compares with the £15.3m before exceptional items achieved last time.

However, the latest financial year covered 53 weeks and excluding the extra period the profit would have heen £21.4m. The figure was revealed in the pathfinder prospectus for the group's flotation next month.

The prospectus says there are signs of recovery in the UK market, while the duty free side was exceeding expectations apart from the San Francisco store. Allders is suing the city and county of San Francisco over the poor performance of the outlet there.

The document says the group's trading prospects are "significantly better than at any time since the buy-out". The group was formed by a management huy-out from Hanson in 1989.

The float is expected to value the company at close to £200m, and it aims to raise about £85m for the company through a placing and public offer.

Existing shareholders have yet to decide if they will sell shares in the issue. Hanson holds 5 per cent of the equity, with 94 per cent held by institutions who backed the mbo, and supported a £10m rights issue in 1991.

Management holds 1 per cent at present. Share options will be granted which could give 130 managers about 5 per cent of the enlarged share capital, depending on the price at which the shares are floated. Within that Mr Harvey Lipsith, chief executive, will hold less than 1 per cent of the total, and the options cannot be exercised for a year.

Mr Lipsith said Allders was a "well established and resilient business" which, despite heavy debts from its mbo, had invested £55m in the business in the last four years and repaid £30m of deht.

He said the group's two activities were each large operators in fragmented sectors. Sales from the department stores in the year just ended were 10 per cent higher at an estimated £286m, and operating profits were up 20 per cent to £12m.

Mr Lipsith said growth would come from geographic expansion, especially the development of the six-strong chain of "at Home with Allders" bousehold stores, which could reach 50 in 10 years, and from economic recovery.

The duty-free retail business had 4 per cent of the £10bn worldwide market, and operated on four continents. Sales were estimated at £399m, up 21 per cent, in the latest year, with profits nearly doubled at £13m (£6.7m) – partly a bounce back from the Gulf war.

The 1993 figures will bear exceptional costs of £14m, including a £10.5m write-down of property values and the £3m cost of gaining a listing. However, exceptional credits will have totalled £5.1m.

Pricing will be announced on October 27 and dealings are due to start on November 10. The sponsor to the issue is J Henry Schroder Wagg and the broker James Capel.

See Observer

Starmin facing legal battle

By Catherine Milton

STARMIN, the troubled quarry products group now chaired by Lord Parkinson, the former Cabinet minister, was yesterday facing a legal battle with a former director who resigned a month before the company said pre-tax losses were millions of pounds deeper than previously published.

Mr Osman Abdullah, who controlled the company from 1989 with his brother Raschid, is believed to be suing the company over the termination of his service contract following his resignation in July.

Mr Raschid Abdullah, who also resigned as an executive in July, was last month reappointed as a non-executive director and speaks for about 30 per cent of the equity. He declined to say whether he now planned to take action against the company and said that his brother was on holiday.

The resignations by the brothers, who first gained a public profile for their work at the Evered aggregates company, coincided with Starmin's announcement of a review of accounting procedures which led to the company rescinding its dividend and announcing 1992 pre-tax losses had been understated by £3.8m, deepening them to £11.9m.

The review of accounting policies focused on profits booked on asset swaps. Starmin said at the time that there was no suggestion of fraud.

No one at Starmin was prepared to comment. However, note 29 of the company's 1992 Report and Accounts flags the possibility of claims and the board's intention to resist them: "The company will strenuously resist any such claims and the board considers that adequate provision has been made in the accounts at 31 December 1992 for any such liability," the note says.

Commercial vehicles boost Chas Sidney

By Paul Taylor

STRONG GROWTH in commercial vehicle sales helped Charles Sidney, the Yorkshire-hased Mercedes-Benz commercial vehicle and passenger car dealer sbow a near 40 per cent increase in operating profits for the year to August 31.

Charles Sidney, part of Albert Fisher, the food processing and distrihution group, is coming to the market via a placing with institutional investors and pnblic offer early next month.

The pathfinder prospectus for the proposed flotation was issued yesterday and revealed full year operating profits of £2.44m, np from £1.76m the previous year, on turnover 35 per cent higher at £55.8m (£41.3m).

The group, which ranks as the largest Mercedes-Benz commercial dealer in the UK and the sixth largest car dealer, reported pre-tax profits of £2.46m (£1.7m).

Commercial vehicles, which have underpinned the group's performance in recent years, contributed £1.75m (£1.25m) of last year's operating profits and £35.1m (£21.7m) of total turnover with sales of new vehicles jumping from 648 to 993.

The strong performance of the commercial vehicles segment offset the weakness of new car sales which reflected the delayed recovery of the luxury car sector and customers waiting for Mercedes' new models which were lamched at the start of October.

Mr Raymond Edwards, Albert Fisher's director responsible for the European food processing division including Charles Sidney, who will leave the group to become Charles Sidney's executive chairman, said sales of luxury cars have begum to pick up since the end of August.

The final prospectns, together with details of the offer, is due to be published on October 27 and dealings in the new shares are expected to begin on November 10.

Analysts welcome disposal of US recycling business

Attwoods moves back to basics

By Richard Gourlay

ATTWOODS' sale of its lossmaking Mindis recycling business in the US was widely welcomed yesterday as the necessary, if painful, removal of a nasty thorn.

Mindis has proved, with hindsight, an extremely costly foray into recycling – a business driven more by politicians than economics and, consequently, one that has struggled to take off. It was also a business exposed to wild swings – recently downwards – in base metal prices.

However, the announcement of the $40m (£26m) sale and the £91m provision to cover the resulting loss was accompanied by a set of results for the year to end-July from which it was difficult to isolate the performance of the ongoing business.

The headline figures were a preliminary pre-tax loss of £62.2m compared with a profit of £25.1m, on sales up 20 per cent at £410m, and losses per share of 25.25p (earnings 6.84p).

Looking forward, Attwoods focused on pro-forma profits on continuing business, excluding Mindis, where the pre-tax figure rose from £27.2m to £33.1m. On this basis earnings per share rose from 7.98p to 8.96p.

However, the picture is more complicated. Attwoods profits inclnded a £5.4m exceptional profit from a well timed D-Mark currency hedge which will continue to generate cash on a monthly basis while the D-Mark remains at current levels. There was also a receipt of £2.9m from an insurance claim.

The interest line was also affected hy changes in the accounting rules that reclassify preference shares as debt for presentation purposes, even though Attwoods' banks consider them to be equity instruments.

Interest on these shares now appears above the line. But the main change to interest is a £2.4m increase as a result of translation of interest on foreign denominated debt.

There is also a £2.01m provision covering a US litigation, which under the FRS 3 standard now appears above the line as an exceptional item.

Regarding the £91m provision, only £61.2m hits the balance sheet. The halance of £30m is goodwill on acquisition of Mindis which must be written back to the profit and loss account on disposal.

Ken Foreman: "Mindis has taken a lot of our time"

Mr Ken Foreman, chairman, welcomed the opportunity for Attwoods to get back to its mainstream business of managing waste contracts. "Mindis has taken a lot of our time," he said. "The sale will allow us to focus on the growth areas and getting better returns from the existing business."

However, the market may need soma time to digest Attwoods' figures and the implications of the replacement of Mr Donald Jackson at the head of Laidlaw, the Canadian company that controls 38 per cent of Attwoods.

Analysts yesterday welcomed the removal of the unpredictable Mindis business and a return to the comparative certainty of long term waste collection contracts.

A strong start to the year in the UK and the US is only partly offset by the poor performance in Germany, where nevertheless, Mr Foreman says the group is still making higher margins than in the UK.

Analysts said that Attwoods could therefore make pre-tax profits of abont £36.3m this year, including profits from the foreign exchange hedge, giving earnings of 9.2p.

Finding new contracts outside the US, the UK and Europe is not, however, going to happen overnight so growth from new markets may be some time off.

Gloucester Steam plans to raise £0.4m

By Tim Burt

ONE OF Britain's leading steam railways has launched a rights issue to finance the reopening of a former British Rail service.

Gloucester and Warwickshire Steam Rail, the privately-owned railway company, aims to raise £400,000 from the issue, which is targeted mainly at enthusiasts.

The shares, priced at £1 each, will not be available in blocks of less than £20. The proceeds will be used to fund the first stage of a £1m scheme to reopen the 23-mile Honeyhourne Line between Stratford-upon-Avon and Cheltenham.

The line, originally hnilt by the Great Western Railway, was closed 14 years ago because of falling passenger numbers.

If the project is successful, the company expects the line – part of which it already operates between Toddington and Gretton in Gloucestershire – to attract tourists and possibly commuters on the cross-country route.

Mr David Mee, commercial manager, said: "Once we have extended it sonth into Cheltenham we hope the extra revenue from the line will finance the route north through Broadway into Stratford.

"We will eventually have 23 miles of track and one of the longest private railway lines in Britain."

WSP to merge with AB Consulting

By Peter Pearse

WSP HOLDINGS and AB Consulting, two consulting engineering companies, are to merge to form an enlarged group worth about £9.8m.

The renamed WSP Group will have a combined turnover of more than £20m. Mr Malcolm Paul, finance director on the new board, said that some 80 per cent of its business would come from buildings-oriented consulting and the balance from science and environmental services, the non-buildings side which the combined group would be keen to expand.

The merger is to be effected through the recommended offer by WSP for all the issued share capital of ABC, on the basis of six new WSP shares for every five ABC shares. This values ABC at about £5.3m.

The WSP board, advised by Rea Brothers, is unanimously recommending its shareholders to approve the merger and the ABC board, advised by Albert E Sharp, unanimously recommends acceptance. Both have irrevocably undertaken to do so in respect of their own shareholdings. In ABC's case this represents about 11.2 per cent of the equity.

Mr Paul said that the combined group would be in "the top one or two consulting engineers in building structures", but that it would not be big on the civil engineering side. However, the new board "envisaged moves" in that direction.

He said WSP felt the industry was "right at the bottom of the recession" and the merger "was sensible in view of the current market place".

The merger would result in a substantial and immediate reduction in overheads. No technical or engineering jobs would be lost, but between 10 and 15 administrative posts would go. Duplicated offices would be closed and the group's buying powers would increase.

In 1992 WSP made pre-tax profits of £560,000 on turnover of £10m. For the year to April 30, ABC reported pre-tax losses of £1.15m on turnover of £11m.

Acquisitions behind 49% rise at Seton Healthcare

By Andrew Bolger

ACQUISITIONS helped Seton Healthcare, the medical products and sports equipment group, increase pre-tax profits by 49 per cent to £3.18m in the six months to August 31.

The Oldham-based group, which came to the market in 1990, increased sales by 25 per cent to £22.2m. Underlying sales growth of UK healthcare products was 9 per cent, but the group said this was partly depressed by a policy of ending discounts and the second half was likely to show double-digit growth.

Mr Ian Cater, chief executive, said: "September was the best month we've ever had."

The healthcare division lifted sales by 30 per cent to £19.7m, mainly because of acquisitions. Including these, sales to the UK pharmacy and community sector advanced by 64 per cent, compared with increases of 5 per cent to UK hospitals and 7 per cent in exports. Operating profits rose from £2.14m to £2.87m.

The group made considerable progress in the integration of Cupal, the Blackburn-based manufacturer of over-the-counter medicines, acquired last December for £8.3m. The workforce had been reduced from 150 to 85 and the sites had been merged to provide a team of 23, calling regularly on more than 7,000 independent retail pharmacies and multiple chains.

Mr Cater said Cupanol, the paracetamol-based children's medicine for pain and fever relief, was selling well and would be heavily promoted in the autumn. The group was also developing new wound and bandaging products.

The sports and leisure division saw flat sales of £2.55m, and operating profits slightly up at £343,000. Although conditions on the high street were difficult, the group said it had recently launched a sports care range and would benefit from any improvement in trading.

Gearing at the half-year was down from 80 to 21 per cent, following a £13.1m rights issue in November. Mr Cater said the group wanted to continue growing by acquisition in its core areas.

Earnings per share rose by 22 per cent to 7.2p (5.9p). The interim dividend is 1.9p (1.7p).

● COMMENT

Seton quoted Mrs Virginia Bottomley, the health secretary, to the effect that "self-medication is an idea whose time has come". With the wind blowing so strongly from that quarter, Seton's focus on OTC medicines seems timely, and the group has built an impressive position in a market which is forecast to increase by 50 per cent by 2000. The group has grown its previous acquisitions well and the integration of Cupal suggests it also enjoying benefits of scale on manufacturing and distribution. Forecast full-year profits of just over £8m put the shares, up 9p yesterday to 310p, on a prospective multiple of 17. That premium rating is justified by the group's impressive track record since flotation at 130p per share, although any further advance will be limited by its need to fund significant acquisitions with more paper.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Aberforth Split	int	2⅛	Dec 3	2	-	8.4
Anglo-Eastern	int	0.5	Nov 19	0.375	-	1.375
Attwoods	fin	3.25	Feb 1	3.25	5	5
Brown (N)	int	2.25	Jan 6	1.95	-	7
Dolyn	int	0.5	Nov 26	0.5	-	1.67
Dorathon Intl	int	0.5	Dec 20	0.4	-	1.4
Seton Healthcare	int	1.9†	Jan 31	1.7	-	5.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡First interim.

PUBLIC WORKS LOAN BOARD RATES

Effective October 12

Quota loans*

Years	EPT†	ANN‡	maturity§
1			5¾
Over 1 up to 2	5⅝	5⅝	6
Over 2 up to 3	6	6	6¼
Over 3 up to 4	6¼	6¼	6⅜
Over 4 up to 5	6⅜	6⅜	6½
Over 5 up to 6	6½	6½	6⅝
Over 6 up to 7	6⅝	6¾	7
Over 7 up to 8	6¾	6⅞	7⅛
Over 8 up to 9	6⅞	6⅞	7¼
Over 9 up to 10	6⅞	7	7¼
Over 10 up to 15	7¼	7	7⅜
Over 15 up to 25	7⅜	7⅜	7½
Over 25	7⅜	7⅜	7½

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

COMPANY NEWS: UK

An evolutionary step into new frontiers

Christopher Price on the latest batch of warrants aimed at attracting a new breed of investor

THE LAUNCH of two warrants in the past week aimed at the UK equity market mark an inventive step by atockhrokers to encourage investors into areas in which they might otherwise be reluctant to tread.

SG Warburg yesterday issued a multi-media warrant, which gives holders the option to buy the underlying media shares at a future date, aimed at investors wanting exposure to the new frontiers of technology.

Last week, BZW launched a warrant on a basket of food retail shares. It is also looking at several other underperforming areas of the UK equity market for similar launches, which could include sectors such as pharmaceuticals and food manufacturing.

However, the rarity of sector warrants and other similar derivative products in UK equities is testimony to the cool reception afforded by investors in the past.

Derivatives specialists and fund managers will be watching the progress of this latest product closely.

The BZW warrant acts as a "call" option, which attempts to anticipate a rise in the share prices on a basket of food retail stocks. Investors huy the warrant at a price struck by the issuer.

They can axercise their option to buy the underlying shares from the issuer at the price on the day of the warrant's purchase. This can be done at any time over the period of the warrant.

Each of the warrants cost £2.30 on the October 4 launch day for shares worth £18.80 in the seven leading supermarket groups, which are weighted by market capitalisation.

The warrants, which had an underlying stock value at issue of about £100m, are exerciseable over the next 18 months.

Should the basket price rise 20 per cent, for example, over the full life of the warrant, it would reach £22.56. The £3.76 rise in the value of the shares would equal the approximate cost of the warrant at expiry. This sum less the £2.30 original cost would give a profit on the warrant of some 63 per cent. Investors are likely to hold the warrant for a highly geared return, with the option to buy into the underlying stocks if the outlook for the sector holds up.

Investors can also trade the warrant, the market being made by the issuer with the price moving relative to the underlying stock prices. Yesterday, for example, the food retail warrant had a mid-price of £2.37 with a basket price of £18.82.

For the issuer, profiting from the exercise will require effective "dynamic" hedging. Although neither BZW or SG Warburg discuss their risk management techniques, typically a warrant issuer will carry some 60 per cent of the underlying stock – the hedge ratio – of the number of warrants issued.

The broker will also make continuous use of the options market as part of its hedging operations on the underlying stock.

BZW FOOD SECTOR WARRANTS*

	%
J Sainsbury	40.0
Tesco	21.0
Argyll	17.5
Asda	8.5
Kwik Save	5.5
Wm Morrison	4.0
Iceland	3.5

*approx weightings of stock

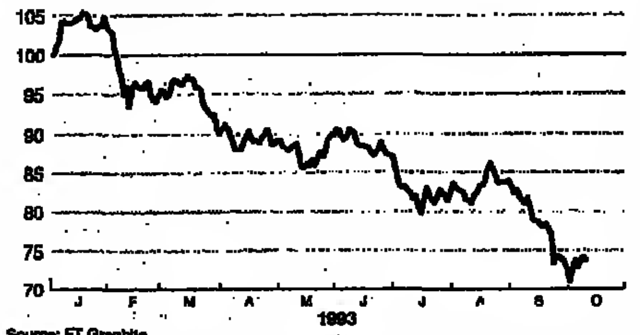
WARBURG'S EUROPEAN MULTI-MEDIA SECTOR WARRANTS*

	%
Thorn EMI (UK)	28.9
Pearson (UK)	24.8
Générale des Eaux (Fr)	15.7
Polygram (Neth)	13.8
TF1 (Fr)	9.1
VNU (Neth)	7.7

*approx weightings of stock

Food retailers underperform the market

FT-A Food Retailing index relative to the FT-A All-Share index



Source: FT Graphite

Getting the hedge ratios right will determine the success of the warrant. The higher the sector rises, the bigger the increase in the ratio to compensate. Prohlems can arise with a sudden and significant movement in the sector which would leava the issuer exposed to taking a hit on the underlying stock. A warrant issued on the water stocks prior to the general election last year was upset by a one-day surge of 20 per cent in the sector, leaving the US issuer exposed and some investors out of profit.

Mr Lenny Barshak, director of derivatives at Smitb New Court, says that market volatility is the biggest threat to n warrant's success. But as important Is Institutional investor wariness in using derivatives. "If the demand from customers is there, we are always ready to create the product to suit their needs," he says. "But in general, the response to new product launches in the UK market has been patchy."

Mr Gary Wolens, managing director European equity sales at Salamon Brothers, agrees. "Although there is a steady acceptance in the willingness to use derivatives in the UK, it will be an evolutionary not revolutionary development."

Derivatives brokers complain that part of the reason for this is the conservative investment culture among UK institutions.

Fund managers argue thnt restrictive regulations together with the pricing of some products has proved discouraging.

Mr Jim McAfferty, a former fund manager at NatWest Investment Bank, and now at Hoare Govett, says: "The standard view among institutions is that it is difficult to get approval from trustees for the extra risk of taking out warrants or options."

BZW hopes to get round investor reluctance through more aggressive marketing and keener pricing. "There's no point is issuing a warrant that will not sell," says Mr David Roden, the hroker's head of derivatives. "We place a high premium on our corporate relationships, so selling them a good product at a reasonable price is very important."

Mr Roden says that the new warrant "offers a different risk profile" for investors who are interested in exposure to the recovery potential of a sector without the full financial commitment. The launch was designed to coincide with BZW's research team turning more positive on the food retail sector, which has underperformed the rest of the stock market by 30 per cent in the past six months.

Mr Mark Beilby, European media analyst at Warburg, said: "We are trying to introduce an investment vehicle which transcends sector and country boundaries to enable investors to access new industry trends."

COMPANY NEWS: UK AND IRELAND

Differing visions that divide a family

Tim Coone on why an injunction has been granted to the ousted chairman of Dunnes

A SIX-MONTH boardroom struggle over the control of Dunnes Stores, the largest supermarket and retailing chain in the Irish Republic, intensified this week following a temporary High Court injunction being granted to Mr Ben Dunne, the ousted chief executive and chairman, against his other partners in the family-run company.

Control of the family empire, one of the largest in Ireland and estimated to be worth some I£700m (£670m), has for many Irish people taken on the semblance of a real-life soap opera, complete with family scandal and public disgrace.

Mr Dunne's legal action followed the dismissal last Friday of two senior managers, including Mr Michael Irwin, the chief accountant, and the resignatioa of four other senior managers. The injunctioo restrains Dunnes from making any further dismissals of senior management or from making any investmeots involving sums exceeding I£500,000 without approval of the full board.

Mr Dunne was ousted as chairman and chief executive of the group in February after a boardroom coup by three siblings, who with him comprise the board of directors.

No reasons were given for his removal, hut it occurred several months after Mr Dunne resumed his duties following a conviction in a Florida court last year oo a charge of cocaine possession. He paid a $5,000 (£3,000) fine, was ordered to attend a drug addiction clinic in London, and has been barred from entering the US.

The incident caused deep embarrassment to his family, but was the opportunity his threa sibling-directors had beea looking for to resolve a simmering dispute over the future directioo of the chain.

Mr Dunne's retailing philosophy followed that of his father, also called Ben, who founded the company 50 years ago to provide quality products but at prices which made them available to a mass market and working class pockets.

The group has engaged regularly in price wars with its competitors and is reoowned for negotiating tough terms with suppliers. Its retail margins are very tight, hut an important source of its profits is thought to be derived through supplier credit. This allowe the supermarket to accumulate large sums of cash which are then invested in the short-term money market.

As a private unlimited company, Dunnes is not required to disclose financial details. It is believed, however, to generate profits of about I£50m oo turnover of about I£900m. It has 75 supermarket and drapery outlets in Ireland, with 6,000 employees. The company also has 23 stores in Northern Ireland and a further 5 in aorthern Britain.

Mr Dunne fell out with his elder sister, Mrs Margaret Heffernan, who reportedly wanted the group to go more up-market and who won the backing of two of the other directors, Mr Frank Dunne and Ms Therese Dunne. Executive control is exercised jointly by Margaret and Frank.

Mr Ben Dunne's autocratic style of management apparently helped alienate him from his siblings, as did his wish to keep the group a private concern rather than seek an eventual flotation.

The one sister who supported him, Mrs Elizabeth McMahon, died of a heart attack in July. A fourth sister is not involved with the family business.

Although ousted from any executive position, Mr Dunne as a director has maintained contact with senior managers to obtain financial information on the group.

In an affidavit to the High Court this week, he claimed that group profits had slipped by I£11m, market share had suffered "a significant decline", and that the group was committed to a I£30m capital expenditure programme which he described as "questionable and foolhardy" and which had not received approval by the full board.

Mr Irwin, the ousted chief accountant, told the High Court this week, that he believed his dismissal was due to his unwillingness to become involved in the family feud which, he said, was aimed at excluding Mr Ben Dunne.

In March Mr Dunne took over Dunloe, a quoted property company, which he subsequently said he wishes to see develop into a fruit and vegetable distribution business.

It is thought that he now wishes to cash in his shares, believed to represent a Dunnes stake of 20 per cent and worth about I£140m, to develop the Dunloe business, but which his fellow directors in Dunnes fear he may use to set up a rival supermarket chain.

The complex shareholding arrangement in Dunnes, established as a trust by its founder, makes it extremely difficult for any director to dispose of shares without the approval of the other directors.

Mr Dunne has said publicly that he is unable to proceed with his plans for Dunloe because of the ongoing board disputes at Dunnes.

Anglo-Eastern more than doubled

By David Blackwell

INCREASED palm oil production helped Anglo-Eastern Plantations to more than double pre-tax profits from £530,000 to £1.2m for the first half of 1993.

Palm oil production from the group's 6,500 hectare Tasik estate in northern Sumatra rose from 32,994 tonnes to 45,718 tonnes. Target production for 1997 is 130,000 tonnes of palm oil.

Outside processing carried out by the dedicated crushing mill, opened in 1991, increased from 8,900 tonnes to more than 28,000 tonnes.

Mr Rollo Barnes, chief executive, said the Tasik estate was coming to maturity. At the same time a shortage of crushing capacity in the area had raised the throughput at the group's mill.

The average palm oil price obtained at Rotterdam in the half was $375 a tonne, although the price had since fallen to about $340 a tonne.

Production in the first three months of the second half was well up on last year and if this trend continued, the group said results for the year should be very satisfactory.

Turnover was ahead 54 per cent from £2.26m to £3.5m. Earnings per share rose from 1.4p to 3p, and the interim dividend is up from 0.375p to 0.5p.

The group said no provision had been made for expenses relating to Chillington Corporation's planned sale of most of its 49 per cent stake in Anglo-Eastern to Genton International of Hong Kong. It estimates its expenses at between £120,000 and £160,000.

Shareholders in Chillington, which also has interests in property and engineering, vote on the sale early next mooth. If it is approved, Genton will make a full offer for the rest of Anglo-Eastern at 68p a share.

Yesterday the shares were unchanged at 74p.

N Brown ahead 21% following growth in sales

By Paul Taylor

LOWER INTEREST costs and a healthy sales gain helped N Brown, the Manchester-based direct mail order group which specialises in clothing for older women, report a 21 per cent increase in first half profits.

The pre-tax line increased to £9.02m (£7.44m) in the 26 weeks to August 28 on turnover ahead 8.3 per cent to £86.2m (£79.6m). Operating profits increased to £10.3m (£9.4m).

Interest costs fell by £647,000 to £1.16m with £400,000 of the decline attributable to lower rates and the balance reflecting an improved stock turn.

This also helped reduce gearing, which fell to 33 per cent from 49 per cent a year earlier.

Earnings per share increased from 6.84p to 8.29p and the interim dividend is raised from 1.95p to 2.35p.

Turnover in the core home shopping division increased by 8.6 per cent and operating profits expanded 6.1 per cent to £10.4m.

Mr Jim Martin, chief executive, said the increase in turnover mainly reflected customers ordering more items, and ordering more often.

The group's established catalogues - J D Williams, Ambrose Wilson, Oxendales and the slightly more upmarket Heather Valley - continued to grow and still account for the bulk of turnover and operating profits.

These catalogues all cater for more mature customers and offer a much wider range of sizes and fittings than would be found in the High Street.

Fashioo World and Candid, the newer titles which were launched in 1991 and are designed for slightly younger customers, continued to increase their share of turnover and profits. They now account for 9 per cent of turnover.

The group's small property and financial division made an operating profit of £48,000, against a comparable loss of £33,000, and a £240,000 deficit in last year's second half.

Sir David Alliance, chairman, said all the autumn/winter catalogues had started well, with encouraging gains in average order values and some early indications that new customer recruitment is stronger than in the past few seasons.

US and Japanese shortfalls leave Densitron at £0.25m

By Gary Evans

SHARES IN Densitroo International fell 5p to 32p yesterday after the electronic components manufacturer reported pre-tax profits down from £370,000 to £251,000 in the first half of 1993.

Mr Cliff Hardcastle, chairman, said all parts of the company were trading profitably, although there were reduced profits in the US and Japan.

The Japanese situatioa, in particular, was expected to improve rapidly in the secood half. Orders and sales were already showing an improvement which, if continued, would help towards a satisfactory outcome for the full year, he added.

An improved second half – similar to last year – was expected, but the final outcome was depeodeat upon relatively large coatracts deliverable in the last quarter.

Mr Hardcastle pointed out that curreocy changes had made a significant impact on the reported figures, with the result that the indicated increases in overhead costs and sales were overstated.

First-half turnover rose from £23.4m to £28m, but after eliminating the effect of currency changes, sales volume remained level, with a small reductioo in gross margin.

A tax credit of £17,000 (£166,000 charge) – the result of higher UK profits being sheltered from tax by prior years' losses and lower earnings abroad - meant earnings per share were higher at 1.12p (0.8p).

An increased interim dividend of 0.5p (0.4p) is declared.

Mr Hardcastle reported that Densitron had taken a legal action in the US against a Japanese competitor concerning the misuse of confidential information.

Costs of the action were "quite significant", he said, hut at this time, the company expected to recover all of its costs, plus damages.

The case is due to come to court in mid-December.

Arcadian in talks to expand hotel side

ARCADIAN International, the leisure-based developer and operator, is in negotiations with separate veodors that may lead to the purchase of eight hotels in the south of England and Jersey, writes John Murrell.

The company intends to fund the acquisitions in part via a rights issue to raise some £11.5m net. With negotiations still under way terms of the cash call were not available.

Consideration would be met by a combination of cash, new ordinary shares and warrants.

The acquisitions would comprise a hotel company, together with the botel business and assets of two subsidiaries of Hidden Hotels.

In addition, Arcadian will assume debt in the hotel company which is not expected to exceed £12.8m. Both acquisitions would be subject to shareholders' approval.

Of the money being raised, some £5.5m would fund the cash consideration of the Hidden Hotels. The balance would be used to reduce the enlarged group's debt, meet remaining investment requirements and provide extra working capital.

Mr Robert Breare, chief executive, said Arcadian had been looking for quality hotels in the UK to balance its portfolio of hotel, golf and country club developments located mainly in cootinental Europe.

He added that the hotels under discussion met "all our criteria".

Boardroom reshuffle and asset sale at BCE

MR DAVID Fisher, chairman of BCE Holdings, the snooker and pool equipment maker, has sold 8.37m ordinary shares, representing 29.9 per cent of the issued capital. He retains 8.55m shares.

Mr John Roberts bought 433,769 of the shares (1.5 per cent), a trust of which Mr Barry Adams is the beneficiary bought 3.97m (14.2 per cent) and Mr Rohin Jones bought 3.97m (14.2 per cent). Mr Adams and Mr Jones have been appointed to the board.

Henacre, a new company owned by Mr Fisher, has entered a conditional contract to buy four amusement arcades owned by BCE for a total of £1.08m cash on completion. The arcades, three in Bristol and one in Bath, generated operating profits of £172,767 for the year to March 31. At that date they had a book value of £1.09m.

Following completion Mr Roberts will become chairman of BCE. *The shares rose 2p to 10p.*

NEWS DIGEST

Delyn falls £142,000 into the red

EXCEPTIONAL charges of £591,000 pushed Delyn Group, the manufacturer of consumer packaging and materials, £142,000 into the red at the pretax level for the 26 weeks ended August 1.

That compared with previous profits of £500,000 and was struck from turnover of £6.71m (£6m).

Losses per share worked through at 3.55p (earnings 3.94p).

The interim dividend is held at 0.5p.

The exceptional provision related to Delyn's holding in Plastella which was disposed of in May.

Anglo St James trims deficit

A £190,000 reduction in interest charges to £255,000 helped Anglo St James, the commercial property developer, reduce its deficit from £289,000 to £25,000 pre-tax for the six months to end-June.

Losses per share emerged at 0.2p (1.8p).

The directors said market conditions were "certainly more promising" than 12 months earlier.

Improved freights help Lofs to $1.55m

London & Overseas Freighters, the Bermuda-based shipping company ultimately controlled by Iroquois Shipping Corporation of Liberia, reported income before tax of $1.56m (£1.02m) for the six months to September 30.

The results, compiled under US generally accepted accounting principles, compared with a restated deficit of $165,000 last time.

Net freights and hire amounted to $10.9m ($7.54m) reflecting the commencement in July of the five year Chevron charter on the London Pride, increases built into daily rates of similar charters on the London Spirit and London Victory and improved trading conditions for the London Enterprise.

Earnings per share emerged at 6.4 cents (losses 1 cent).

The company plans an international offering of up to 5m American Depositary Shares at between $15 and $17 apiece. Proceeds will be used to finance expansion of its oil tanker fleet.

Furman Selz and NatWest Securities are managers and the latter is also sponsoring the offering on the London Stock Exchange.

ML sells airships arm to Westinghouse

Slingsby Aviation, a wholly owned subsidiary of ML Holdings, the aerospace, defence and electronics group, has sold the assets of its airships business to Westinghouse Airships of Baltimore.

Consideration is £1.7m, payable on completion.

Bass in Indonesian joint venture

Holiday Inn Worldwide, the hotels division of Bass, the brewing and leisure group, has signed a joint venture with PT Hotel Dirgahayu Indah Raya, part of the Susanti Group, to develop 30 hotels in Indonesia over the next seven years.

Bass and Susanti will each invest $30m (£20m) progressively in the venture.

Additional debt financing will be sought as hotels are developed.

Helene sets up fresh credit facility

Helene, the fashion wear distributor and textile merchant, has signed a £20m three-year revolving credit facility with its banks.

It replaces a series of bilateral uncommitted and committed facilities to various group companies.

The facility was arranged by Samuel Montagu and syndicated to National Westminster, Royal Bank of Scotland, Barclays, Standard Chartered and Credit Lyonnais.

In addition, Samuel Montagu has co-ordinated a series of bilateral facilities, amounting to £14m, including £9m for letters of credit.

● Helene also announced that it had issued 3.38m ordinary shares as the deferred consideration for the acquisition of John Tyoran.

FINANCIAL TIMES SURVEY

INTERNATIONAL STANDARDS

Thursday October 14 1993

Industry and the consumer both have an interest in the development of internationally recognised standards. In this special survey, which coincides with the 24th annual International Standards Day, Charles Batchelor reports on progress

A pervasive influence

STANDARDS, and the international agreements that underpin them, have a pervasive influence on our daily lives. They help determine the shape and size of our credit cards, the symbols on the dashboard of our cars, tha speed codes for the films in our cameras and the paper sizes we use at the office.

No less important for the industrial or commercial user is the international system for grading screw threads, tha agreement on a standardised size for freight containers and a common format for the numeric representation of dates and times.

The absence of an international, or even a European, standard for electric plugs and sockets, is one of the most obvious failures of the standards industry. A study has finally begun into finding at least a Europe-wide answer to a cause of constant annoyance for the international traveller, and of cost to manufacturers.

Yet, in spite of its powerful impact on our lives and the economies of nations, the standards world remains a curiously low key one. The reason is not far to seek. Creating standards is the humdrum task of armies of committees around the world. Much of their time is spent debating almost imperceptible tolerances of machinery and systems of little interest to the non-specialist.

The picture is made no clearer by the range of overlapping national, European and international bodies involved and the pea-soup of acronyms used to label the organisations and the standards they produce.

In Britain, for example, the British Standards Institution, co-ordinates the writing of new standards. At the European level most standards are set by CEN, the European Commission for Standardisation, although electrical products and telecommunications have their own organisations.

International standards, in turn, are set by the Geneva-based International Organisation for Standardisation (ISO). Once again, however, electrical products are the responsibility of another body, the International Electrotechnical Commission.

These overlapping organisations result in the same standard appearing in many different guises. BS5750, a British quality assurance standard, has been adopted internationally as ISO9000 and in continental Europe as EN29000.

Despite the barriers thrown up by the bureaucratic nature of much standards work, there are signs that neglect is making way for a period of closer public interest. This interest is fuelled by a number of important factors:

■ The growing importance of regional trading blocks which require harmonised standards if industry is to benefit fully from the removal of internal barriers. The formal launch of the single European market last January gave an added impetus to the mova towards harmonised Europaan standards which had been under way since the early 1980s.

Tha creation of the North American Free Trade Area has similarly givan additional urgency to the search for harmonised standards and is prompting closer working between Canadian, Mexican and US organisations.

The ultimate aim of industry and the standards writers is to create international standards. Pressure from third world countries, no less than from the industrialised world, is for standards which will get their products into all the world's markets.

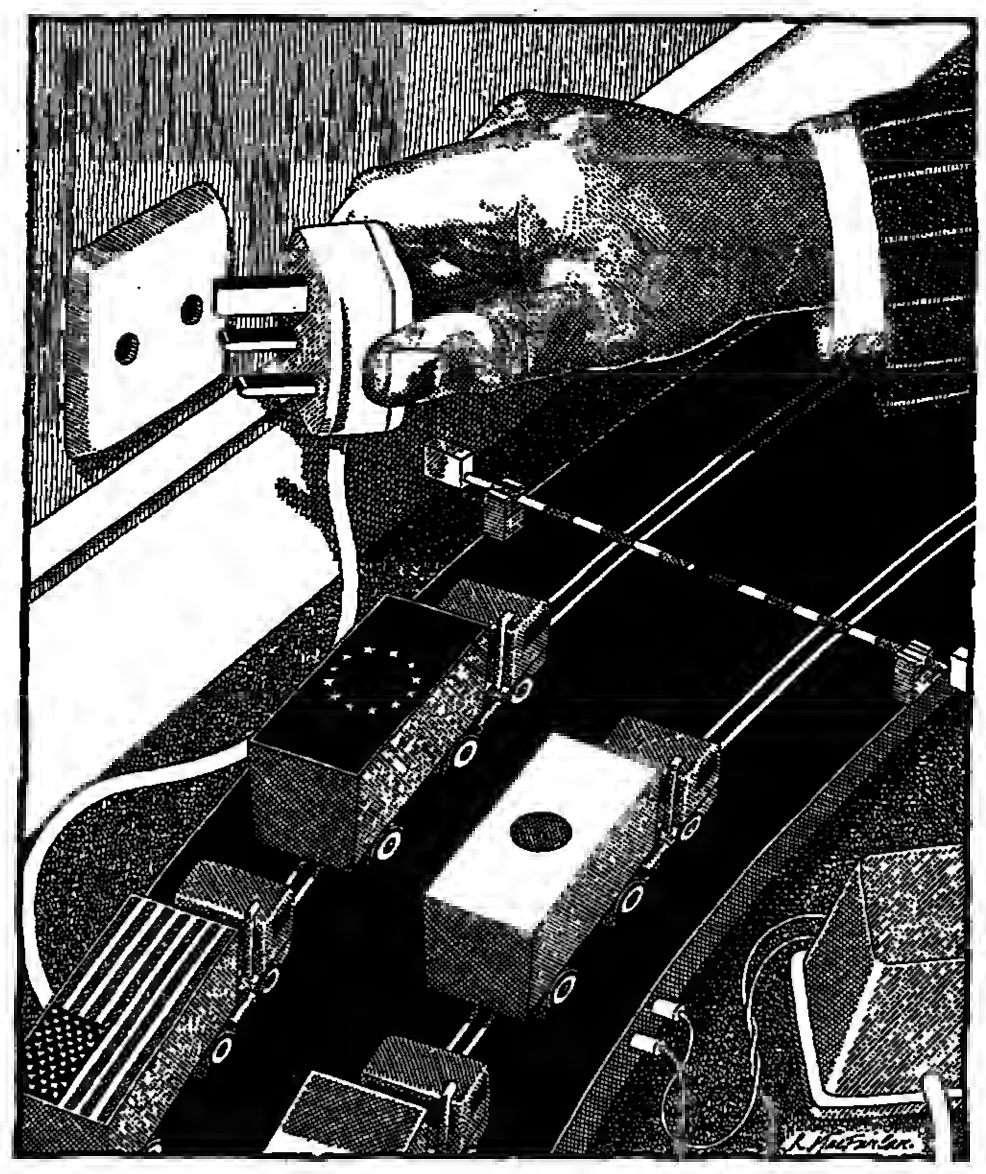
But the range of conflicting interests – manufacturers, consumers, regulators – which have to be reconciled to create truly international standards mean that national standards may initially be replaced by regional standards.

■ A growing awareness of the economic advantage which can be won by ensuring that your national standard forms the basis for an international standard. Britain, France and Germany each head about one third of the ISO committees set up to establish new international standards, a position which allows a considerabla influence on the shape of the ultimate standard.

The Canadian Standards Association felt it had achieved a sizeable benefit when it was allocated the secretariat of a new ISO committee to write environmental standards.

■ A move to the writing of what are sometimes known as horizontal standards, covering such areas as quality assurance and environmental management. ISO9000, the first such standard, has provoked much controversy.

Some parts of US industry fear that ISO9000 will be used to buttress fortress Europe, while countries such as Germany, where more reliance is placed on product testing, are suspicious of the value of monitoring procedures. Horizontal or systems standards, applicable across broad swathes of industry, are more wide-ranging in their impact than standards applicable to a single product or industry.



The most significant impetus for harmonised standards has come from Europe in recent years, largely due to the fact that the fragmented European market place has had most to benefit. The US and Japan, with their larger, homogenous home markets had less need to join the move to greater harmonisation.

But if Europe continues to dominate the creation of international standards through ISO, the US and Japan could start to come under pressure. ISO9000 is starting to make inroads into the US market, complementing and even possibly usurping manufacturers' quality assurance standards. With more than 400 industry-based standards bodies resulting in a highly fragmented sector, the US is at a disadvantage in international standards making.

Not that Europe's move to greater harmonisation is without its problems. The harmonised product directives which began emerging from the European Commission in the late 1980s have prompted a veritable frenzy of standards making. The directive covering personal protective equipment – head, eye and foot protectors and the like – is expected to require 200 harmonised standards, the construction products directive no fewer than 2,000 new standards.

The so-called new approach directives give greater flexibility than their predecessors, which laid down detailed technical requirements. But they do require a welter of standards-making to back them np. Some of those involved fear that the scale of the work involved is leading to a decline in the quality of the standards which are being written.

"Standards are being rushed through. They are poorly drafted and open to misinterpretation," commented one participant in the standards-writing process.

Nor is industry entirely happy with every aspect of the new directives and their supporting standards. The certification and testing bodies in the different countries – the public and private organisations and laboratories which confirm that a particular standard has been met – frequently differ in their interpretation of a standard.

To overcome this problem the European Organisation for Testing and Certification was set up in January 1993. The EOTC has already established groups in the fields of electrical products, information technology and water supply to ensure that testing laboratories and certification bodies recognise each others' work and more than a dozen other groups are being established.

Even so, companies with an established product range and a good safety record frequently find the new directives unduly complex, bureaucratic and costly to conform to, according to Mr Mo Masri of SGS, a large testing and certification company.

Introducing standards into a new area, or modifying the existing standards framework, can have a powerful knock-on effect on industry. Manufacturers may be forced to modify their product ranges, cutting out marginal items which do not justify the cost of testing or certification, and designing new products to meet the standards. The European Toy Directive put a lot of toy manufacturers out of business.

The standards industry also faces a considerable shake-up. There are an estimated 10,000 independent testing laboratories in Europe as well as a large number of certification organisations. The new EC directives are creating more work in the short term but if the EOTC is successful in promoting mutual recognition of test certificates then closures and mergers are likely.

The pressure for standards, national, regional and international is inexorable. The benefits to the consumer, industry and trade are indisputable. But there is equally no doubt that the standards revolution will claim its casualties. Standards have become another risk which companies must learn to manage.

Charles Batchelor discusses the problems facing the UK organisation

BSI sails into choppy seas

THE British Standards Institution, the organisatinn which co-ordinates the writing of UK standards, should be riding the crest of the wave. BS5750, the quality assurance standard it devised in the late 1970s, has become a world-wide best-seller and the basis for the European and international quality standards.

Yet, just when the benefits of the hard work that went into BS5750 are starting to pay off, BSI has run into choppy seas. The strains imposed by its efforts to modernise its somewhat bureaucratic procedures cost it its chief executive earliar this year.

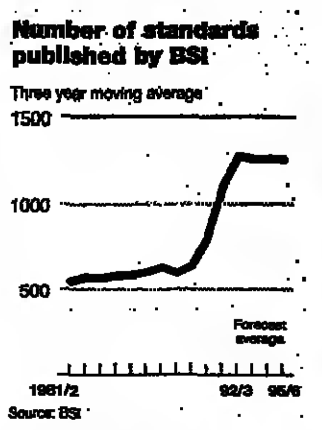
And around the same time the government ordered a review of BSI, the grant it receives from the public purse and the whole issue of standards writing in the UK.

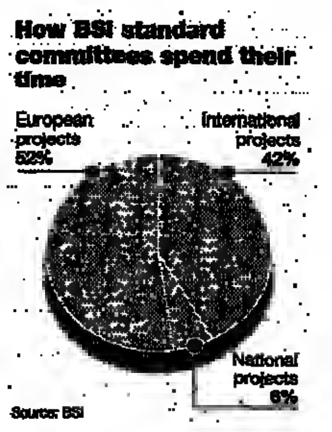
The government has yet to announce the results of its review but BSI is pressing on with its own internal reorganisation. It is streamlining its standards-writing division at the cost of 70 jobs and an annual saving of £3m. Further cost savings and increased efficiency are expected from a concentration of the organisation's London-based activities in new offices in Chiswick, west London.

BSI is unusual for a standards organisation in that it not only co-ordinates the writing of standards, it also has divisions involved in quality assurance certification and product testing. Its German and French counterparts, DIN and AFNOR, are engaged simply in standards-writing. BSI's combination of activities produced profits of £7.5m last year on sales of £74m. It employs 2,000 people.

Combining these three areas of activity gives BSI an undoubted marketing advantage in the highly competitive fields of certification and testing, though it stresses they are managed separately. More than 30 other organisations are engaged in certifying companies to the BS5750 quality standard while, according to some estimates, the UK has no fewer than 5,000 product-testing laboratories.

To ensure that the organisations which carry out certification and testing are themselves up to scratch, the government established a National Accreditation Council for Certification Bodies in 1984. If a certifier meets the standards set, it can issue certificates bearing the tick and crown symbol of the NACCB.





The strains imposed by BSI's efforts to modernise its somewhat bureaucratic procedures cost it its chief executive earlier this year

For reasons which have looked increasingly eccentric as competition between the certification bodies has grown, the NACCB was set up under the BSI's royal charter and is funded by BSI.

No-one has suggested that this curious arrangement limits the NACCB's ability to treat BSI's certification activities any differently from those of BSI's commercial rivals. But it does look odd and BSI itself is keen for the NACCB to achieve complete independence.

Established in 1901 as the Engineering Standards Committee, BSI managed to avoid the split between the electrical sector and the rest of industry which has marked other standards organisations. The split arose because the International Electrotechnical Committee was founded in 1907, 40 years before the International Organisation for Standardisation, responsible for all other industry areas, and the two never merged.

Other standards organisations which were subsequently set up, notably the European organisations CEN and its electrical counterpart CENELEC, mirrored this split.

One of BSI's first actions was to bring order to the manufacture of the steel sections used to make tramway rails. Within a year of BSI introducing a kitemark for tramway rails in 1903 the number of steel sections used had fallen from 75 to five and industry was making savings of around £1m a year.

BSI has since gone on to create standards in a wide range of industry areas and now has some 12,000 standards covering anything from the fungal resistance of wood panels and the strength and durability of fitted kitchens to the impact resistance of cycling helmets.

Requests for standards come in from a variety of sources including companies, the government, trade associations and consumer groups. If BSI is convinced that there is a case for a new standard tt pnts together a drafting committee made up of groups such as manufacturers, purchasers, local authorities, government departments and consumers. These representatives give thair time free although the government has calculated that the cost to industry of this activity is £200m a year.

BSI says it takes about two years to produce a British standard. It says that this is faster than many of its international counterparts hut it is keen to speed up the process.

In spite of Britain's early lead in standards setting, quality slumped after the second world war. When industry and government realised just how far standards had slipped, there was a revival of interest and the creation, in 1979, of BS5750, which now accounts for just under half of BSI's turnover and two thirds of profits.

Five years ago BSI embarked on a programme designed to modernise its organisation, speed up the creation of standards and improve its profitability.

As an institution incorporated by Royal Charter, it had not had a strong commercial drive and had become somewhat bureaucratic in its attitudes.

It created the post of chief executive and appointed Mr Michael Sanderson, formerly managing director at AWD Bedford Trucks, to the job. But after only 18 months Mr Sanderson resigned in June 1993 following what BSI called "e deep disagreement with the board on important matters of policy and management".

Day-to-day management has been taken over by a three-man board committee headed by Mr Vivian Thomas, non-executive chairman. Not long after Mr Sanderson's departure, though the two events were not connected, Mr Michael Heseltine, trade and industry secretary, announced a government review of BSI. Mr Heseltine has called into question whether an organisation which now makes a sizeable profit needs an annual government subsidy of £4.5m. The government also wants to know what contribution standards make to the competitiveness of British industry and what BSI's role should be now that European and international standards are becoming more important than purely national ones.

BSI believes that its work justifies continued public sector backing. But the pressures on the government to reduce public spending are such as to make reducing or removing the subsidy extremely attractive. BSI's efforts to become more commercial could prove to be very timely.

EUROPEAN CO-OPERATION

Where entente cordiale reigns

UNLIKE other, higher profile, issues over which the UK and the rest of the European Community have been at odds, standards is one corner where both sides are positively effusive about each other.

They insist they are both vital to the users of standards with their joint future secured by the premium that industry places on flexibility and the need for consensus in drawing up standards.

At the European level, most standards are set by CEN, the European Committee for Standardisation, while electrical products and telecommunications have their own organisations – CENELEC and ETSI.

CEN groups the national standards bodies of the 12 European Community member countries and the six members of the European Free Trade Association. A further seven countries, mainly from eastern Europe have affiliate status, with the Czech Republic and the Slovak Republic currently applying for affiliation. The committee attempts to avoid duplicating the work of other organisations, so where possible its standards are based on national or international ones. They carry the EN (European Standard) prefix.

The British Standards Institute is at such pains to stress its enthusiasm for its European counterparts that its literature starts with an apology for its name: "BSI might easily be imagined as a bastion of insular nationalism. Perish the thought. Standards are as international as the markets they serve, and BSI's outlook has always been towards world markets to promote the acceptability of the UK exports and imports on which we depend."

The BSI Kitemark is perhaps the most widely known UK seal of approval and is awarded, or licensed, by BSI to companies which produce goods to accepted national or international standards.

Both BSI and CEN dismiss worries that one side may be redundant in the three-tiered global standards structure which has bodies at the national, European and international level.

Relations are so cordial that BSI says its London headquarters can be regarded as the offices of their European counterparts and the UK is often at the forefront of demands for new standards from Europe.

"The UK has got the image of being a slightly reluctant European, but in terms of standards we are not. The UK is the quickest to establish European standards as part of the national standards framework. The UK consistently tops the league in this," says Ms Patricia O'Rourke, BSI's senior press officer.

The UK's desire for European standards is not born out of idealistic Euro-enthusiasm: "The feeling is that if you don't get involved, somebody else is going to set the standard, set the agenda," she adds.

The role of the European committees has been vastly expanded by the spate of directives produced to establish the community's internal market initiative, many of which use standards to spell out their requirements.

The community has been trying to reduce technical barriers to trade since 1969 but the attempt initially foundered in a bog of technical details which had to be constantly opdated.

In 1973, the Low Voltage directive took a different approach which limited legislative harmonisation to essential requirements published in the directive and then entrusted the preparation of supporting technical specifications to standards organisations.

This new approach was adopted by the Community in 1985 and these days most directives for goods and services are produced in this way.

With legislative differences outlawed by directives, considerable scope exists for the voluntary harmonisation. This is essentially a marketing challenge to suppliers to influence, bnt ultimately to meet. the preferences of "home" customers throughout the community without legal hindrance.

Yet at first glance, the European level looks the most vulnerable to redundancy.

Ms O'Rourke says the need for European standards, however, is driven by pragmatism and the community's special need for standards to support its single market: "I think it is a question of scale and timing. When yon are creating a national standard, we get all the interested bodies together.

"This can mean as many as 30 or 40 bodies represented on a committee. We even had one committee of 60. When yon have a European level you have all the European countries involved and you have got to come to a consensus.

"When you are working on an international level you have more people involved and it takes longer to produce."

BSI says it takes an average of two years to produce a UK standard, four years in Europe and more than six years internationally.

She adds: "Also the EC has its own timetable of standards required by the internal market." She points to the electromagnetic compatibility directive.

This was implemented last year to ensure that electrical products do not interfere with each other, heading off potential disasters such as televisions interfering with life support machines in hospitals.

The directive relies on a number of standards to elaborate its requirements.

CEN says it enjoys a fruitful and prodnctive relationship with all its members, including BSI: "Trouhled though the UK's position in Europe may be in certain respects, the European standards scene, which spans the Community and other European trading agreements, has seen a huge shift towards co-operation in drawing up standards to support directives and the UK is playing its due proportionate part as one of the biggest member states," says Mr Stewart Sanson, head of information. "These new approach directives will typically contain the essential requirements for health and safety. All the rest of things can be handled by voluntary standardisation and verification."

CEN, which was set up in 1961, admits it was a far smaller operation before 1985: "The work was not very big. But in fact there was significant work going on, with European standards for safety of lifts and safety of toys.

"Standards were created in the low hundreds. It was just an extremely small secretariat of about 10 people," says Mr Sanson.

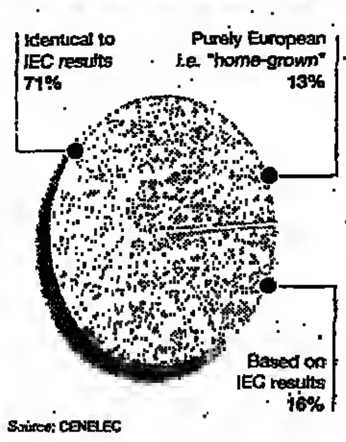
He also points to the need for a European standard setter to achiave consensns more quickly than at the international level, hut argues that in the end industry will decide where the appropriate standards should be set: "International consensus is sometimes particularly difficult to achieve with more than 130 countries.

"Other parts of the world have more technical differences than exist between European countries; for example, in the US voltage is very different."

He says CEN members have a much stricter attitude to the adoption of standards: "If the standard is voted for by CEN it has to be adopted and implemented as a national standard. Countries in the rest of the world do not have to adopt global standards."

Catherine Milton

CENELEC European standards



Because 1992 was the year of the drive to complete as much of the Single Market as possible, the proportion of standards drafted at European level increased slightly to 13 per cent of the total catalogue. However, 87 per cent were still adopted from international (IEC) standards.

Frank McGurty sorts out some of the confusion in the US system

Gulf of misunderstanding

AT FIRST glance, the American system for setting industrial and commercial standards is intimidating.

In contrast with the UK, where a single body – the British Standards Institution – has a monopoly over standard writing, there are some 450 separate groups, from the Institute of Electrical and Electronic Engineers to the American Dental Association, involved in making the rules and specifications to be followed by companies doing business in the US.

Many ontsiders view the system as confusing. Some are suspicious of the inability or reluctance of American industry to streamline what is by any measure s highly fragmented process. They believe the system's centre of gravity – the American National Standards Institute – needs to be strengthened to bring more coherence to the system.

"Thsre is a gulf of understanding between the two sides of the Atlantic over the role of standards," admits Mr Stephen Cooney, a senior policy director at the National Association of Manufacturers, an umbrella organisation representing the interests of US industry.

Mr Cooney believes Europeans have historically viewed standards as a barrier to trade. Indeed, standard-setting within the EC has proved a pivotal issue in negotiations leading to the establishment of the single European markat. This perspective has flavoured attitudes towards the US process.

In contrast, he saya, American companies generally have a more trusting attitnde towards the enterprise of standard setting, long considered an essential ingredient in fostering inter-state commerce. A bicycle manufacturer in Brunswick, Maine, to take one example, can feel confident buying frames from a Pasadena, California, manufacturer because the American Welding Society has established sbout 100 standards for metal welds.

Most of those involved with the business of standard development agree that the reason the US system has won such hroad support is its voluntary, self-regulatory approach. Market forces, rather than government oversight, are usually the catalyst for an industry to establish o new standard. However, "the hot breath of government regulators", as Mr Cooney points out, sometimes spurs the private sector into action.

Mr George Willingmyre, vice-president of ANSI, wbich represents the US in international standards organisations, describes the process as "complementary". If government agencies, such as the Federal Drug Administration or the Consumer Products Safsty Commission, "can meet their mission by sncouraging the marketplace to develop standards on their own, they will do so". Federal lsw requires the government to defer to any voluntary standard if an acceptable one exists.

For the private sector, the development of standards on s voluntary hasis has some decided advantages. It allows industry to play a dominant role in shaping the standard as well as in revising it to reflect subsequent changes in technology and market conditions.

This bottom-to-top orientation is typified hy the work of the Amsrican Socisty of Mechanical Engineers, one of the most active of the standard writing bodies in the US.

At the end of the last century, the ASME set the system'a guiding precedent in response to growing concern over the safety of heating boilers, which were exploding at the rate of 1,000 a year. A voluntary committee, with representatives of the industry, was convened to develop a criteria for the accreditation of manufacturers. The ASME standard is now recognised in about 80 countries.

Since then, ASME committees in a range of engineering fislds bave been engaged in developing two other types of standards. Tbe first include performance test codes – that is, determining how a product such a compressor should perform, and drawing up criteria on design, manufacture and testing to ensure that the product meets the specified level of performance. The second category is dimensional standards for fasteners, machine threads and the like.

The hallmark of the system, its advocates claim, is its openness. What is known as "a balance of communities", including manufacturers and users of their products, is required. The intention is to prevent a standard from becoming a tool for an industry'a most powerful players to freeze out the competition. The process must also allow ample opportunity of public revisw and comment.

"Standards are set for public use, so the public has a right to be part of the process," says Mr Mel Greene, ASME's associate executive director.

ANSI, a privately funded, non-profit organisation, stands at the centre of the process, though its presence is hardly imposing. It has no direct role in setting standards, but instead sets the standards to which American standard-setters are expected to conform. Its criteria relate to process rather than substance. ANSI atipulates that a standard be developed under the principles of balanced interests, consensus, public notice and rights of appeal. The process must be "open to all interested parties".

If the method conforms to these rules, ANSI may then certify the result as an "American national standard" – which forms the basis for any product's acceptance in the US market. Last year, 570 new national standards were approved, hringing the total number in ANSI's register to almost 11,000.

ANSI's power to co-ordinate activities of the various standard setting bodies, however, is less than absolute.

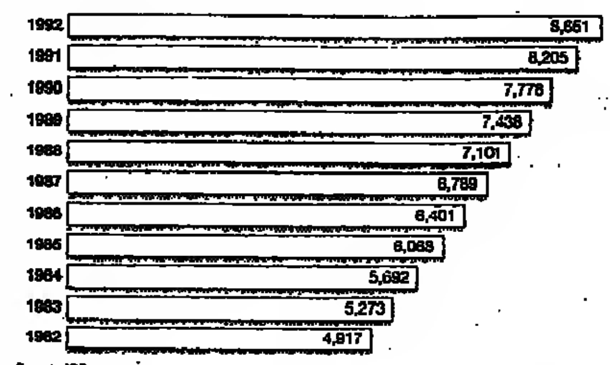
The institute's remit is to help a standard-setting body to determine if a competing body is working on a parallel standard, or if one already exists. However, some members of the standard-setting community believe that ANSI, as a private-sector organisation with no official authority, can in effect only minimise the overlap of its members' activities. It does this through a series of standards boards – medical devices, construction and health and safety and the like – to facilitate consultation among standard developers.

Dr Wallace Read, IEEE's vice-president for standards, says the relatively passive role of ANSI sometimes results in unnecesssry duplication by rival standard setters, as well as excessive delays in implementing acceptable standards.

But Mr Cooney of National Association of Manufacturers defends the US approach. "The system works well," he insists, "There is no need to make it tight and neat" just because some are uncomfortable with its complexities.

None the less, he accepts that US industry must take a more international approach to standard writing. In tbis regard, he points out, US standard writers are increasingly looking for a complementary international standard before formulating their own. Second, government-to-government efforts are under way to improve the ability of foreign companies to test their products against US national standards, and vice versa.

International standards published



1992	8,651
1991	8,205
1990	7,778
1989	7,438
1988	7,101
1987	6,789
1986	6,401
1985	6,068
1984	5,692
1983	5,273
1982	4,917

Source: ISO

Meaningful explanations

Charles Batchelor interprets the jargon used in international standards

Accreditation. Sometimes confused with certification but in fact a procedure for guaranteeing that the certification bodies themselves are up to scratch. There may be many competing certification bodies in a particular field but each country will normally have only one accreditation organisation. In the UK this is the National Accreditation Council for Certification Bodies (3 Birdcage Walk, London SW1H 9JH. Tel 071 222 5374).

The growing demand for standards around the world and the large numbers of certification bodies involved have prompted the spread of the idea of accreditation.

CE Mark. This is probably best known to the public because it appears on the packaging for toys but it is applicable to a wide range of products covered by the "new approach" directives.

In some cases manufacturers may apply the CE mark simply by declaring that their product meets the required standards but other products require independent certification that the standard has been reached. Toys may be labelled on the basis of self-certification but in the UK at least, many large retailers insist on independent certification.

CEN, the European Committee for Standardisation. CEN groups the national standards bodies of the 12 European Community member states and the six members of the European Free Trade Association. A further seven countries, mainly from eastern Europe, have affiliate status.

CEN was established in 1961 but had little to do for its first 24 years because standards setting was dominated by the national organisations and ISO/IEC. But in 1985 the European Community instituted a new approach to standard setting because it needed standards to back up the directives it was starting to produce for its single market initiative.

CEN attempts to avoid duplicating the work of other organisations, so where possible its standards are based on national or international ones. They carry the EN – Euronorms – prefix. Address: Rue de Stassart 36, B-1050 Brussels, Belgium. Tel 322 519 6811.

In common with ISO, CEN has no responsibility for the electrical industry. This is handled by CENELEC, the European Committee for Electrotechnical Standardisation, (rue de Stassart 35, B-1050 Brussels. Tel 322 519 6871) while telecommunications standards are dealt with by ETSI, the European Telecommunications Standards Institute.

Certification. The process of guaranteeing that a product or service conforms to the requirements of the relevant standard or technical specification. The product or company may then carry the "tamp" of the certification body. For example, in the UK, this may involve the "kitemark" of the British Standards Institution (2 Park Street, London W1A 2BS. Tel 071 629 9000).

Third party certification – by an independent organisation – allows a supplier to demonstrate to his potential customers that he meets certain standards.

European Organisation for Testing and Certification (EOTC). Set up in December 1992 following a two-year pilot to establish the mutual recognition by certification and testing organisations in Europe of each other's work.

The EOTC also includes in its aims the influencing of European policy on technical trade barriers and on the development and harmonisation of standards. Its membership comprises the standards organisations from 18 countries and 12 pan-European standards, consumer and industry associations.

It has established three committees to look at mutual recognition in the fields of information technology, electrical products and water supply. Address: Egmont House, rue d'Egmontstraat 15, B-1050 Brussels. Tel 322 502 4141.

ISO, the International Organisation for Standardisation. Set up in 1947, the ISO is a federation of 92 member countries which appoint committees to establish international standards. More than 8,600 international standards, bearing the ISO prefix, have been created.

Responsibility for heading each standards committee is allocated to a country with experience in that area, with the result that seven members carry out 90 per cent of the work. Germany leads with 24 per cent of standards, Britain with 23 per cent and France with 22 per cent.

If ISO creates a standard it takes precedence over national and European standards. The only area where ISO is not active is in the electrical industry. Electrical standards are the responsibility of the International Electrotechnical Commission, set up in 1907.

Address: 1, rue de Varembe, PO Box 56, CH- 1211, Geneve 20, Switzerland. Tel. 41 22 749 0111.

New approach directives. These represent a more flexible method of achieving free trade within the European Community. They allow for directives which lay down the mandatory requirements for assessing the safety of products but which leave the detailed criteria to be set down in voluntary, harmonised standards.

Before 1985 directives had, with one exception, included detailed annexes setting out the technical requirements for the product. Keeping the annexes up to date proved an unacceptable burden. The new approach directives were based on the model of the 1973 Low Voltage Directive which was more flexible.

New approach directives have been issued in fields such as toy safety, electromagnetic compatibility, construction products, heart pacemakers and gas appliances. Products meeting the criteria laid down in these directives and their supporting standards may carry the CE mark.

Quality. In a general sense, quality, like beauty, is in the eye of the beholder but in a trade context supplier and customer need to be talking an agreed language. ISO9000, the international quality standard, is based on an organisation's ability consistently to deliver a product or service that satisfies its customers' requirements.

The commitment to "consistency" has prompted criticism that a company could deliver a poor product but as long as it was consistently so it would still comply with the requirements of ISO9000. In practice, defenders of the standard argue, a company committed to the idea of quality would not wish to interpret it in this minimalist way.

COMMODITIES AND AGRICULTURE

Gold price holds on to gain after New York surge

By Kenneth Gooding, Mining Correspondent

GOLD IN London yesterday held on to gains made in late trading in New York on Tuesday and closed at US$365.75, a troy ounce, up $5.60.

Traders said speculative buying by New York funds pushed gold through price levels that generated "buy" signals to some computerised investment programmes.

"There was nothing in the way of new news to cause this reaction. It was purely technical. There has been no change to the fundamental outlook for gold," said Mr Andy Smith, analyst at Union Bank of Switzerland.

He said that there was no follow-on buying in the Far East or Europe yesterday after the surge in New York.

In his latest Gold Strike publication, Mr Graham Roberts, head of the mining team at Carr Kitcat & Aitken, part of the Bank Indosuez Group, says it is critical that physical demand for gold should return in response to lower prices and seasonal strength "if confidence in the gold market is to return and the all important investment buying resumed.

"Equally, in a more cautious gold market, the ghosts of central bank sales and producer forward selling have yet to be allayed." Mr Roberts suggests gold can be expected to trade in a range between $365 and $380 an ounce in the near term.

● China's State Council has assigned the People's Bank of China and the Economic and Trade Committee to start researching the establishment of a national gold market, the China Gold News said, reports Reuter from Beijing.

It said that this was an important step toward gold products entering the market and the gold industry moving from a planned to a market economy. The paper, published by the Metallurgy Industry ministry, gave no more details.

US maize estimate reduced still further

By Laurie Morse in Chicago

THE US Department of Agriculture has reduced its estimate of the size of the US maize harvest yet again.

The USDA's latest report, released on Tuesday night, forecast that the crop, which suffered from late planting and the summer's record deluge, would be about 6.96bn bushels, down 3.7 per cent from its September estimate. That was the fourth such reduction in as many months.

If production does indeed fall below 7bn, it will the smallest US maize crop since 1988, a drought year.

The magnitude of the reduction surprised grain traders, who responded by buying maize futures at the Chicago Board of Trade on Wednesday morning. By midsession, maize for December delivery was up 3 cents at $2.47¾ a bushel.

The short harvest, however, poses no risk to grain supplies, or even of food price inflation, as much of 1992's record crop is still in storage. Mr David Miller, analyst with the American Farm Bureau, estimated yesterday thet there would be 1.1h bushels of US maize still in storage after all domestic use and export demand is accounted for.

"Carryout stocks will he more than adequate," he said.

The USDA harvest estimate was based on an October 1 crop survey, when less than 10 per cent of the nation's maize crop had been gathered. The smaller forecast reflected cool September temperatures, which reduced yields in Iowa, and damage from scattered early frosts in Minnesota and other northern areas. Farmers with severely damaged crops are ploughing them under to qualify for government payments, rather than attempting to harvest them.

The report also reduced the USDA's soyabean production estimate to 1.89bn bushels from 1.91bn in September.

● Copa, the European Community farmers' lobby has raised its forecast of the 1993 EC grain crop to 167.13m tonnes, down from 161m last month and the 169.47m it estimated for the 1992 harvest.

The EC grain trade lobby, Coceral, last week put the 1993 the community's grain crop at 164.87m tonnes. It estimated the 1992 harvest at 168.47m.

Copa's higher 1993 estimate mainly reflected a higher maize figure of 30.44m tonnes, against Coceral's 28.66m. The farmers' lobby also forecast e higher 1993 durum wheat crop of 6.93m tonnes, compared with Coceral's 6.15m.

EC 'green' currency proposal may not satisfy Germans

By David Gardner in Brussels

THE EUROPEAN Commission yesterday approved plans to adjust its "green money" rules, although it was not clear whether by enough to appease Germany, which is demanding protection for its farmers against income losses that would result from further rises in the D-Mark.

Brussels wants to widen the margins of currency fluctuation within which the "green" rates at which EC farm price supports are translated into national currencies are not changed. This would render revaluations of other green currencies at the expense of German farmers less likely.

Extra EC pay-outs, moreover, would only be made after the green currency for which adjustment was sought had been down by a sufficient amount for 12 months, although the member state seeking the farm price increase could pay out an advance to its farmers, but out of national funds.

All changes in the green money grid have been frozen for the past five weeks as a sop to Germany. Previously they were triggered when the weakest and strongest currencies in the European exchange rate mechanism drifted apart from their central rates by an aggregate of over 4 per cent in total. That total would now be 5 per cent under the commission proposal.

Through these modest adjustments, which will be laid before the EC council of farm ministers next Monday in Luxembourg, Brussels is trying to resist German pressure to restore the costly "switchover" mechanism. Under this arrangement farm prices in all member states would be lifted to follow the rise of the strongest EC currencies.

The commission calculates that the turmoil in the exchange rate mechanism from September last year to August 2 – when all currencies in the grid were floated within wide bands – cost the already strained farm budget an extra Ecu1.5bn (£1.16m) as a result of switchover.

Brussels estimates that restoration of switchover would cost an additional Ecu1.6bn in 1994-98 for each 1 per cent revaluation.

Its own proposals, which call for the member states to finance half of any green adjustments nationally, would cost less than half this.

Germany's ability to apply pressure is constrained on two fronts:

● First, if EC farm prices are re-linked to the D-Mark, this will erode the nearly one third cereal price cut made in last year's reform of the Common Agricultural Policy (CAP). Those price cuts are aimed at getting EC produce prices down to world market levels after three years, and at minimising the extent to which the EC will have to comply with the 21 per cent curb on subsidised food exports over six years demanded as part of the EC/US Blair House accord for the Uruguay Round farm chapter.

France still refuses to accept the Blair House agreement, but a return to the "switchover" mechanism would make their eventual acceptance of a Uruguay Round deal involving farm trade even more difficult.

● Second, east German cereals farmers have planted some 350,000 hectares more than they are entitled to under the production restraints in the CAP reform, an overshoot of nearly 10 per cent.

Bonn is seeking flexibility from Brussels given the parlous state of the east German economy, and the commission will be seeking flexibility from Germany in the agri-monetary dispute, officials say.

Copper controversy is spectre at LME feast

Recriminations are continuing over the handling of this year's supply 'squeeze', writes **Kenneth Gooding**

LONDON'S ANNUAL "metals week" is under way, bringing nearly everyone who is anyone in the metals business to the UK capital. And, not for the first time, the London Metal Exchange, the institution they have come to pay homage to, finds itself at the centre of controversy.

Unusual activity has kept its "flagship" copper contract in turmoil for much of this year. First prices slumped by one quarter in only five weeks, culminating in a 5½-year low in May. Several trading houses suffered huge losses – estimates range from $50m up to about US$140m.

There were no corporate casualties but a number of individual traders, including one reputed to have lost $14m in the copper price collapse, are now seeking employment.

More recently there has been a severe supply "squeeze". Despite lacklustre world economic conditions and LME copper stocks reaching a 15-year peak, the copper price climbed steadily. There were accusations that the price was being manipulated upwards by a clever use of options. Fingers pointed et Sumitomo, the Japanese metals group, but Mr Yasuo Hamanaka, the senior manager responsible for copper trading and often described as the most powerful individual in the copper market, denied any manipulation was going on. He said the acute supply tightness was highly technical and could be traced back to the earlier sharp fall in prices.

The LME board issued two public warnings about the squeeze and some arm-twisting went on behind the scenes, but all to no avail. So, at its meeting on September 8, the board decided to take emergency action "in anticipated of the development of an undesirable situation in the copper market", and limited the daily backwardation (premium over the future price for metal for immediate delivery).

Since then the squeeze has disappeared and the copper price has dropped sharply. It is far from clear what happened – and those who know are not telling. Some suggest that a big deal was done against the high copper price and so there was no longer any reason to continue the squeeze. Other rumours suggest that the banks financing those behind the squeeze became concerned after the LME board took action and refused to continue to provide the necessary credit.

Meanwhile, the LME board is in a classic "no win" situation. It was widely condemned for allowing the copper price to be manipulated upwards. Now it is being criticised for interfering in the market and, in particular, for using a method that apparently favoured those who were short of copper (had sold metal they did not own in the expectation of being ehle to huy it later at a lower price).

All this is of more than academic interest.

Apart from being in London to pay homage to the LME, metals producers and consumers are starting their "mating season", the endearing term used to describe the start of annual contract negotiations.

At least half the contracts covering the six metals traded on the LME will be related directly to LME prices.

There has been growing concern that in recent years the behaviour of the LME copper price has tended to become increasingly divorced from the perceived levels of physical supply and demand.

MR Martin Thompson, commercial adviser at RTZ, the world's biggest mining group, suggests the main cause is that the growth of the copper market, which is restricted to growth in copper consumption, "has fallen far behind the growth in finance available to some market operators, whose capacity to influence the price has grown accordingly.

"Restriction on the supply of metal – attributed to a Japanese company – did much to support copper's price in 1991," he writes in Mining Journal's annual review. "Heavy buying hy Chinese companies, well heyond their physical purchases, performed the same service in 1992 and early this year. Operations by American commodity funds have also been influential from time to time.

"In addition, the volume of options now sold is such that covering by their sellers, by both buying and selling, has become a major 'rogue' element in the market."

Mr Raj Bagri, the LME's chairman suggested this week, in a spirited defence of his board's copper market intervention, that mobility in international money markets and a massive increase in options and other derivatives activity "makes it comparatively easy or tempting for one or more participants, individually or acting in concert, to create in any free market like ours such dominant positions so as to result in potentially undesirable situations or practices".

"We must be vigilant," he said, "and ready to deal with such situations as and when the need arises."

Speaking at the LME's annual dinner on Tuesday, Mr Bagri insisted that the board believed in free markets. "But we also have a duty and obligation to run an orderly market and we are determined thet the confidence reposed by the overwhelming majority of the metals trade and industry around the world in our reference prices continues to be justified and that these prices continue to be transparently and independently established without unwarranted distortions." he declared.

Mr David King, the LME's chief executive, points out that at least 80 per cent of the exchange's business is from metals processors and consumers. Less than 1 per cent of LME turnover is from commodity fund activity compared with 25 to 40 per cent on the New York Commodity Exchange. Admittedly banks are financing $4bn of LME stocks at present but "this is mainly on behalf of producers and consumers."

Despite the criticisms, the LME is obviously doing something right. For the past four years business in tonnage terms has been increasing at an annual average rate of 30 per cent. Despite low metals prices, turnover this year will reach about US$1,000bn, compared with $700bn in 1992.

This still leaves the LME trailing well behind the big US commodity exchanges but it is different from them because 4 per cent of its contracts actually result in physical metal being delivered, much more than any other exchange.

Mr King says the LME has three "pillars": attractive hedging facilities; an extensive warehouse network, mainly in consuming areas, for physical delivery; and a reference price. "All these must work well because that is what the customers want."

There is still some work to be done on the warehouse network even though there are now nearly 400 authorised to stock nearly 500 LME-approved brands sourced from about 60 countries. At present only aluminium is delivered to those in Japan while copper is excluded from those in the US.

"Eventually copper and other metals will go into Japanese warehouses and copper will go into US ones – but only when the time is right," says Mr King. "At the moment the industries in those countries are not supportive."

The LME is also looking at the potential for warehouses in the "tiger" states of the Far East, an area of fast economic growth. Thailand, South Korea and Taiwan are all possible locations.

Mr King says the LME is also keeping a wary eye on the potential merger between the New York Mercantile Exchange and the New York Commodity Exchange, which also has a copper contract. "Nymex has big resources and trades precious metals, so a merger represents additional competition. And any Comex merger would force us to step up LME marketing in the US that market has so much growth potential," he says.

While the threat of a competitive metals exchange being set up in Japan has subsided, Mr King suggests the LME must be wary about Germany. "Germany wants to be more involved in financial activities of all types and it might be on the agenda there," he says. "It is the main European consumer of metals and it has the resources."

Many other exchanges have "gone electronic" but the LME will retain its present system where ring-dealing members shout themselves hoarse at "open outcry" sessions several times a day.

Mr King says the LME's way of trading cannot be put on screen without too many sacrifices – there are too many "prompt" dates. in any case "Without the open outcry system you miss the body language, the expressions on faces, the way deelers say things. Screens can't provide this information".

THE COPPER market has a "rough patch" immediately ahead, according to Mr Douglas Yearley, chairman of Phelps Dodge of the US, the world's second-largest copper producer, writes Kenneth Gooding, Mining Correspondent. Weakness in demand from Europe and Japan had forced the group to revise its forecasts, he said in London.

Phelps now expected a copper supply surplus of 200,000 tonnes this year, compared with a previously-forecast 150,000 tonnes. Mr Yearley said there might even be a surplus in 1994 whereas his company earlier this year expected a deficit.

Consequently, the copper price would probably trade in a range between 70 cents a lb ($1,543 a tonne) and 85 cents ($1,873 a tonne). The sharp fall in the price in April was "a wake-up call" to the industry, which it should still heed despite a slight recovery since then. However, once recovery arrived – whenever that might be – demand for copper might grow by 10 per cent to 15 per cent in only two years as it made up for recent minimal growth, said Mr Yearley. "That gives a lot of upside [for the price] and not a lot of downside."

On average annual copper demand could be expected to increase by 2 to 2.5 per cent, requiring at least an extra 200,000 tonnes of the metal a year. Also 50,000 to 100,000 tonnes of capacity was disappearing each year as mines became depleted.

WORLD COMMODITIES PRICES

MARKET REPORT

Persistent but unconfirmed talk of European production cuts helped the push **ZINC** prices sharply higher at the London Metal Exchange yesterday. The three months price was quoted at $968.50 at the close, up $38.75 on the day, and moved further ahead to $976 in after hours trading. Dealers said the trend was also aided by investment funds covering what were believed to be substantial short positions. News of a smelter closure helped **LEAD** prices to add to Tuesday's strong gains, but after resistance was encountered around $420 a tonne for three months metal the price retreated to $414.50 at the close, just $1 higher on balance. London cocoa appeared happy to remain positive this afternoon but without real conviction while coffee steadied after a weaker morning but seemed unsure of its next move. London **COCOA** futures held on to most of their early gains, with the March position ending £9 higher at £945 a tonne. But dealers said the rise lacked real conviction. The **COFFEE** market steadied after a weaker morning but seemed unsure of its next move.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$15.18-5.28z	-0.065
Brent Blend (dated)	$17.01-7.05	-0.095
Brent Blend (Nov)	$17.21-7.25	-0.145
W.T.I (1 pm est)	$18.66-8.68z	-0.10
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$193-195	+3.5
Gas Oil	$160-162	-0.5
Heavy Fuel Oil	$62-63	
Naphtha	$160-162	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.75	+5.60
Silver (per troy oz)♣	441.50c	+6.00
Platinum (per troy oz)	$370.10	+7.10
Palladium (per troy oz)	$133.00	+2.25
Copper (US Producer)	85.5c	+0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	11.65m	+0.05
Tin (New York)	213.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	115.80p	-0.78*
Sheep (live weight)†♠	79.09p	-1.42*
Pigs (live weight)†	63.25p	-0.19*
London daily sugar (raw)	$270.7	+5.3
London daily sugar (white)	$290.5	+1.0
Tate and Lyle export price	£289.0	+4.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120	
Wheat (US Dark Northern)	£166.5	
Rubber (Nov)♥	58.50p	+0.25
Rubber (Dec)♥	59.75p	+0.25
Rubber (KL RSS No 1 Jul)	203.0m	+0.5
Coconut oil (Philippines)§	$420.0v	
Palm Oil (Malaysian)§	$345.0u	+2.5
Copra (Philippines)§	$270.0	
Soyabeans (US)	£184.5	-0.5
Cotton "A" Index	55.25c	+0.05
Wooltops (64s Super)	323p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Dec/Jan u-Dec t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	17.25	17.29	17.28	17.10
Dec	17.45	17.50	17.48	17.39
Jan	17.60	17.66	17.61	17.53
Feb	17.70	17.79	17.71	17.66
Mar	17.77	17.00	17.81	17.77
Apr	17.89	17.94	17.89	17.86
IPE Index	17.34	17.34		

Turnover 25482 (44894)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Nov	173.75	174.50	174.25	173.00
Dec	174.25	174.75	174.50	173.75
Jan	173.25	174.50	174.80	173.25
Feb	172.50	173.75	173.00	172.25
Mar	171.00	172.00	171.25	171.00
Apr	169.00	170.50	169.00	169.00
Jun	166.75	167.50	167.25	166.75
Jul	167.50		167.50	

Turnover 11494 (17469) lots of 100 tonnes

SUGAR – LCE			($ per tonne)	
White	Close	Previous	High/Low	
Dec	280.80	280.70	280.80	279.00
Mar	281.80	283.30	283.00	280.00
May	284.00	285.30	284.90	283.50
Aug	288.20	289.00	288.50	288.20
Oct	280.50	281.70	280.70	
Mar	284.50		286.00	

Turnover 883 (827) Paris- White (FFr per tonne): Dec 1590.72 Mar 1607.32

WOOL

Strength in demand for wool and gradually rising prices in recent weeks are leading to more confidence. Clearances in Australia were again very good at this week's auctions, and price increases were particularly marked among superfine merinos at Goulburn. This sector has been leading the market upwards for some time and stockpile availability is limited. There is a widening view that the lowest point might have been passed in wool's long and painful recession, and that stockpile disposal fears may have been overdone. The AWC market indicator was 455 cents a kg on October 13, from 442 cents a week before.

No.7 RAW SUGAR - LCE			(cents/lbs)	
	Close	Previous	High/Low	
Mar	10.82	10.95	10.92	10.80
Jul	10.25	11.41	11.30	11.20
Oct	11.12	11.13	11.20	11.15

Turnover 97 (703) lots of 50 tonnes.

COCOA – LCE			£/tonne	
	Close	Previous	High/Low	
Dec	910	909	925	902
Mar	945	936	954	931
May	951	941	962	937
Jul	963	942	962	937
Sep	957	940	964	939
Dec	943	940	953	931
Mar	944	938	950	936
May	944	937	947	941
Jul	942	936	951	944

Turnover: 9142 (12681) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 12 903.86 (903.29) 10 day average for Oct 13 913.61 (914.36)

COFFEE – LCE			$/tonne	
	Close	Previous	High/Low	
Nov	1166	1162	1168	1147
Jan	1177	1171	1179	1159
Mar	1167	1162	1167	1145
May	1163	1162	1160	1148
Jul	1154		1160	

Turnover: 2111 (2573) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 11Comp. daily 68.33 (68.16) 15 day average 68.50 (68.83)

POTATOES – LCE			£/tonne	
	Close	Previous	High/Low	
Apr	94.2	91.9	95.0	93.0
May	109.7		109.7	109.0

Turnover 543 (95) lots of 20 tonnes.

FREIGHT – LCE			$10/index point
	Close	Previous	High/Low
Oct	1403	1404	1405 1400
Nov	1424	1425	1425
Dec	1423		1423
Jan	1423	1425	1423
BFI	1389	1392	

Turnover 101 (124)

GRAINS – LCE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	99.25	98.00	99.25	97.50
Jan	100.70	99.65	100.70	99.40
Mar	102.85	101.50	102.65	101.25
May	104.65	103.50	104.65	100.20
Nov	94.00	92.00	94.00	
Barley	Close	Previous	High/Low	
Nov	101.70	101.45	101.70	
Jan	103.80	103.45	103.80	103.50
Mar	105.70	105.40	105.70	105.30
May	107.25	106.75	107.25	

Turnover: Wheat682 (523) Barley 63 (53)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,884 lots
Cash	1097-8	1093.5-4.5		1092.5-3.0		
3 months	1117.5-8.0	1114-5	1120/1114	1114.5-5.0	1119-20	237,993 lots
Copper, Grade A ($ per tonne)						Total daily turnover 22,880 lots
Cash	1679-80	1679-80	1670/1659	1669.5-70.0		
3 months	1703-4	1703-5.5	1710/1691	1692.5-3.0	1709-10	173,919 lots
Lead ($ per tonne)						Total daily turnover 4,779 lots
Cash	400.5-1.5	399-400	391	391-2		
3 months	414-5	413-4	416/404	406-7	414-5	22,910 lots
Nickel ($ per tonne)						Total daily turnover 8,838 lots
Cash	4480-90	4370-80		4485-90		
3 months	4530-40	4420-30	4590/4400	4540-50	4525-30	48,827 lots
Tin ($ per tonne)						Total daily turnover 2,296 lots
Cash	4675-80	4565-75		4645-55		
3 months	4720-30	4610-20	4760/4680	4695-700	4740-5	11,419 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 28,936 lots
Cash	952.5-3.5	912-3	928.5/928	929-8.5		
3 months	968-9	928.5-9.0	978/930	944-4.5	976-7	83,155 lots

LME Closing £/$ rate: SPOT: 1.5225 3 months: 1.5132 6 months: 1.5078 9 months: 1.5006

LME AM Official £/$ spot rate 1.5239

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	366.50-367.00	
Opening	366.20-366.60	
Morning fix	366.60	240.346
Afternoon fix	366.40	240.594
Day's high	366.90-367.30	
Day's low	365.30-365.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.75	6 months	2.89
2 months	2.73	12 months	2.88
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	291.65	444.70
3 months	295.65	448.05
6 months	299.50	451.80
12 months	307.40	459.50

GOLD COINS		
	$ price	£ equivalent
Krugerrand	366.00-369.00	40.60-243.00
Maple leaf	376.75-379.05	-
New Sovereign	85.00-88.00	55.00-58.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	43	67	8	12
1100	28	60	14	20
1125	14	38	27	30
Copper (Grade A)	Calls		Puts	
1650	70	104	16	31
1700	39	74	35	50
1750	10	51	65	75
Coffee LCE	Nov	Jan	Nov	Jan
1100	74	111	8	34
1150	39	82	23	55
1200	17	58	51	61
Cocoa LCE	Dec	Mar	Dec	Mar
825	97	140	6	20
850	77	122	11	27
875	59	104	18	34
Brent Crude	Nov	Dec	Nov	Dec
1650	72	-	-	-
1700	28	59	3	20
1750	3	30	-	41

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	366.2	367.8	367.3	365.5
Nov	366.7	368.3	0	0
Dec	367.6	369.2	368.9	367.0
Feb	369.3	370.9	370.7	368.9
Apr	371.1	372.7	372.4	370.8
Jun	372.8	374.4	374.0	373.0
Aug	374.6	376.1	0	0
Oct	376.4	377.8	0	0
Dec	378.2	379.7	379.5	378.4

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	369.7	369.9	370.0	370.0
Nov	363.0	363.0	0	0
Jan	371.6	371.9	374.0	370.5
Apr	373.3	373.7	374.5	373.5
Jul	374.3	374.7	376.5	375.5
Oct	375.8	376.2	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	441.3	442.1	439.0	438.0
Nov	443.1	443.8	0	0
Dec	443.3	444.0	446.0	439.0
Jan	444.5	445.2	0	0
Mar	447.6	448.3	449.0	444.0
May	450.6	451.3	452.0	448.0
Jul	453.5	454.2	453.5	451.5
Sep	456.3	457.0	454.5	454.6
Dec	460.8	461.5	461.0	458.5
Jan	462.0	462.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	76.25	74.45	76.30	76.20
Nov	76.50	74.90	76.50	75.70
Dec	76.90	75.20	77.25	75.26
Jan	77.15	75.45	0	0
Feb	77.40	75.70	0	0
Mar	77.65	76.00	78.00	76.20
Apr	77.90	76.25	0	0
May	78.15	76.55	78.40	76.70
Jun	78.40	76.80	0	0
Jul	78.65	77.10	78.90	78.90

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	18.66	18.71	18.71	18.58
Dec	18.82	18.89	18.87	18.74
Jan	18.91	18.99	18.95	18.85
Feb	18.97	19.07	19.00	18.94
Mar	19.03	19.10	19.06	19.02
Apr	19.11	19.22	19.14	19.10
May	19.17	19.29	19.23	19.17
Jun	19.23	19.34	19.25	19.22
Jul	19.25	19.39	19.32	19.25
Aug	19.44	19.44	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	55.80	56.22	56.30	55.70
Dec	56.65	57.07	56.80	56.50
Jan	57.10	57.52	57.25	57.05
Feb	57.05	57.42	57.10	57.00
Mar	56.10	56.42	56.10	56.00
Apr	54.80	55.22	55.00	54.90
May	53.85	54.17	53.95	53.90
Jun	53.25	53.62	53.50	53.25
Jul	53.40	53.74	53.10	53.10
Aug	54.00	54.29	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1137	1134	1151	1123
Mar	1175	1174	1190	1163
May	1181	1186	1200	1182
Jul	1210	1204	1222	1200
Sep	1228	1222	1240	1227
Dec	1240	1234	1248	1240
Mar	1251	1247	1263	1240
May	1266	1256	1265	1261
Jul	1279	1270	0	0
Sep	1288	1289	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.05	72.45	73.25	72.10
Mar	75.65	75.00	75.80	74.95
May	76.70	76.50	77.25	76.35
Jul	78.30	77.80	78.00	78.00
Sep	79.50	79.10	78.50	79.10
Dec	81.80	81.25	81.00	81.00
Mar	84.25	84.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	10.62	10.79	10.71	10.60
May	10.76	10.89	10.80	10.72
Jul	10.82	10.93	10.83	10.75
Oct	10.85	10.94	10.86	10.85

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	58.27	59.56	58.70	58.16
Mar	59.87	61.08	61.15	59.81
May	60.75	61.72	61.80	60.60
Jul	61.30	62.35	62.50	61.15
Oct	61.37	62.90	0	0
Dec	61.50	62.75	62.80	61.45
Mar	62.36	63.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	116.05	129.25	123.00	109.25
Jan	125.95	130.95	125.95	125.95
Mar	127.70	132.70	127.70	127.70
May	128.70	133.70	128.70	128.70
Jul	129.70	134.70	129.70	129.70
Sep	130.00	135.00	0	0
Nov	128.25	133.25	0	0
Jan	128.25	133.25	0	0
Mar	128.25	133.25	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Oct 13	Oct 12	mnth ago	yr ago
1583.6	1578.4	1534.4	1602.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 12	Oct 11	mnth ago	yr ago
Spot	118.77	119.51	121.74	114.25
Futures	127.94	127.38	125.53	115.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	612/4	614/6	616/4	610/4
Jan	619/0	621/6	624/0	617/6
Mar	626/4	628/2	630/0	625/0
May	630/2	631/6	633/0	628/8
Jul	634/2	635/6	638/0	633/0
Aug	634/0	635/0	635/0	632/4
Sep	625/0	625/0	627/0	624/0
Nov	617/0	617/2	619/0	615/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.21	22.50	22.60	22.15
Dec	22.47	22.69	22.80	22.38
Jan	22.60	22.78	22.89	22.50
Mar	22.81	23.01	23.07	22.70
May	22.85	23.08	23.15	22.83
Jul	22.90	23.12	23.25	22.86
Aug	22.78	22.95	22.90	22.75
Sep	22.70	22.85	22.80	22.70

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	192.2	192.0	192.8	191.2
Dec	191.2	190.6	191.8	189.6
Jan	191.9	191.2	192.3	190.3
Mar	193.1	192.1	193.3	191.5
May	194.0	193.7	194.4	192.7
Jul	195.8	195.0	196.3	194.6
Aug	195.6	195.3	196.3	194.8
Sep	195.5	195.2	196.0	195.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	249/2	244/2	249/4	246/4
Mar	257/0	252/4	257/2	254/4
May	261/4	257/0	261/6	258/6
Jul	263/6	260/0	264/0	261/4
Sep	257/4	255/2	258/0	255/4
Dec	251/0	249/4	251/4	249/4
Mar	257/4	256/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	325/0	326/8	327/4	323/2
Mar	327/2	328/6	329/2	325/4
May	321/6	323/0	323/6	320/6
Jul	310/6	311/0	311/6	309/4
Sep	315/2	316/0	0	0
Dec	324/6	326/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	71.100	70.775	71.250	70.000
Dec	73.625	73.000	73.700	72.450
Feb	74.450	75.900	74.500	73.475
Apr	75.700	75.300	75.775	75.050
Jun	72.950	72.400	73.100	72.200
Aug	71.200	71.000	71.300	70.800
Oct	72.000	71.400	72.100	71.250

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	49.625	50.450	50.250	49.400
Dec	50.375	51.475	51.200	50.250
Feb	50.250	51.200	51.000	50.175
Apr	48.325	48.950	48.900	48.250
Jun	52.550	53.050	52.950	52.350
Jul	51.525	52.000	52.000	51.400
Aug	49.800	50.300	50.300	49.600
Oct	45.900	46.200	45.900	45.550

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	57.875	59.150	58.900	57.775
Mar	57.700	58.825	58.700	57.550
May	57.500	59.000	58.900	57.500
Jul	58.400	59.275	58.800	57.850
Aug	56.600	57.700	57.500	56.600

LONDON STOCK EXCHANGE

Economic data upsets share prices

By Terry Byland,
UK Stock Market Editor

THE LATEST data on the domestic economy unsettled the London stock market badly yesterday. However, shares rallied well before the close on hopes that the unexpected fall in manufacturing output will limit the scale of any tax increases in next month's budget from Mr Kenneth Clarke, the UK chancellor of the exchequer.

Base rate optimism remained a factor, in spite of the rise in September annualised inflation rate and consequent easing in the pound.

The FT-SE Index closed 13.8 down at 3,080.9 but had rallied from the day's low in the 3,071 area to which it had fallen after the announcement of a 0.4 per cent dip in UK manufacturing output in August. The stock market had already reacted badly to news that annualised inflation had risen by 1.8 per cent in September, for the third consecutive monthly increase.

These statistics "must be a clear disappointment to the stock market and the chancellor of the exchequer," commented one of the market's leading economic commentators. However, the indication that the economic recovery in the UK is still fragile and inflation by no means dead means, according to equity strategists, that the scope of the chancellor to increase taxes in November is now "very limited indeed".

For the near term view in the stock market, this sounded like relatively good news and the initial setback in shares was soon checked. Helped by a similar rally in bonds and by continuing firmness in short sterling, the stock markat reduced its losses and trading volume increased.

By the close, Seaq volume had jumped to 659.2m shares from the 537.1m of the previous session. Tuesday's retail trading value of £1.24bn confirmed the healthy levels of genuine investment activity.

Non-Footsie business, at around 56 per cent of the Seaq total, was around daily average levels. The FT-SE Mid 250 Index followed the market trend, shedding 6.6 points to 3,468.3.

Retail and consumer issues gave up a faw pence on increased trading volume as investors assessed the outlook for interest rate prospects following the statistics on the UK economy. Building and construction shares, additionally unsettled this week by reports that public infrastructure spending may be targeted in next month's budget, suffered further losses.

The blue chip international stocks, however, were left on the sidelines as attention focused on the domestic economy. With Wall Street quiet overnight and only about 5 points up in its new session during London hours, there was little lead for the transatlantic issues.

Both oil and pharmaceutical stocks were a few pence easier amid signs that the institutions were shuffling portfolios in these heavily-weighted sectors rather than changing their investment stance towards them.

Today brings another round of important UK economic deta, with the stock market likely to focus on the unemployment figures for last month which will now be scanned with increased attention for evidence of the pace of economic recovery. Forecasts range from around 5,000 either side of the previous month's total. Also due today are the latest earnings and unit wage costs.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group†	8,800	55½	-1	Dalgety	679	486	-1	MB Caradon†	1,000	339	+3	Siebe†	1,500	524	-8
Abbey National†	4,500	414	-1	De La Rue	1,300	880	+1	MEPC†	891	523	+2	Slough Ests	2,400	257	
Albert Fisher	648	78	-½	Dixons	1,800	270	-2	NFI	3,800	146½	-1½	Smith (WH) A	2,200	465	+3
Allied-Lyons†	2,900	567	-5	Eastern Elect.	238	592	+5	Marwab	776	836	+8	Smith & Nephew†	1,500	138	-1½
Anglian Water†	1,800	551	+8	East Midland Elect.	437	567	+5	Marks & Spencer†	4,800	402	-3	SmKl Beecham†	3,200	398	-8
Argos	1,000	343	-2	Eng China Clays	836	410	+2	Midlands Elect.	250	607	+8	SmKl Beecham Uts†	3,800	351	-8½
Argyll Group†	975	298	-1	Enterprise Oil†	1,700	471	+6	Morrison (Wm.)	2,600	186	-1	Smiths Inds.	883	371	-4
Arjo Wiggins†	2,100	223	-5	Eurotunnel Units	223	458	-1	NFC†	419	260		Southern Elect.	571	601	+5
Assoc. Brit. Foods†	145	485	-8	FKI	3,000	145	-1½	NatWest Bank†	3,200	553	+1	South Wales Elect.	486	651	+5
Ass. Brit. Ports	363	482		Fisons	2,300	184	-3	National Power†	4,100	408	+1	South West Water	43	599	+16
BAA†	2,500	876	-5	Foreign & Col. I.T.	872	255		Next	3,200	188	-3½	South West. Elect.	283	601	+9
BAT Inds†	6,800	458	+½	Forte†	6,800	222½	-5	North West Water†	2,300	651	+12	Southern Water	273	593	+15

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates			
*First Dealings:	Oct 4	Oct 18	Nov 1
Option Declarations:	Oct 14	Oct 28	Nov 11
Last Dealings:	Oct 15	Oct 29	Nov 12
Account Day:	Oct 25	Nov 8	Nov 22

*New time dealings may take place from two business days earlier.

Forte float surprises

THE announcement by Forte of its intention to float its airport services division early next year caught the market by surprise and led to a roller coaster day for the shares. At the outset, they shot up on the news only to tumble to 217p at the day's worst. Then, the shares rallied up to 225p, eventually drifting back to close at 222½p, a net 5 down on the day, on turnover reaching an average 2.6m.

Leisure analysts were puzzled by both the timing of the announcement and the reaction of the shares. Although there has been talk of the move for several weeks, the news was not expected until next year, with a flotation predicted in early 1994. Speculation that Forte was more anxious than previously thought to reduce its gearing was heard among leisure specialists, most of whom put the group's debts at around £1.2bn to June 1994.

Estimates of the airport catering division's worth are above £200m, with the effect on Forte's balance sheet around £150m if it retains its 25 per cent stake, as proposed. With more sales forthcoming, Forte's debt situation should become more manageable. The sale of its Harvester pub chain – Allied Lyons is now being strongly tipped as the buyer – is expected shortly, and should contribute some £100m. The expected flotation of Gardner Merchant – in which Forte has a 25 per cent stake – next year could give another £120m. Selected hotel sales could also contribute.

Mr Bruce Jones at Smith New Court commented: "The potentially brighter debt picture makes it increasingly unlikely that Forte will need to have a rights issue." Allied Lyons shares slipped 5 to 567p.

Utilities wanted

The utility stocks attracted further interest in the wake of the poor inflation figures, with water shares the best performing sector in the UK market yesterday. Yield and defensive considerations were investors' priorities as water shares surged, with several broker recommendations helping sentiment. Northumbrian jumped 16 to 680p, Southern 15 to 593p and Welsh 12 to 668p. Among the Recs, South West gained 9 to 601p and East Midland 5 to 567p. Kleinwort Benson was among those recommending both stocks.

News that Oftel was recommending further liberalising moves in the UK telecoms market added to the attractions of BT's rivals. While BT shares retreated 4½ to 440½p, Vodafone added 4 to 540½, Securicor 15 to 779p and Cable and Wireless 16 to 927p.

BAe volatile

A upbeat response from British Aerospace (BAe) after the government of Taiwan said it would not try to save the proposed £250m joint venture between BAe and Taiwan Aerospace Corporation (TAC), brought a two-way pull in the shares.

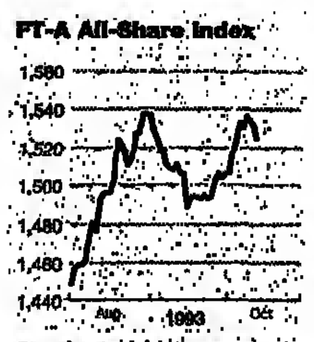
The news from Taiwan led to an early fall in the shares to the day's low of 399p. However, the strong response from the company saying, "we are still hopeful of the deal", along with a feeling from analysts that the bad news surrounding the deal was already in the price, brought a turnaround. Researchers also believe that failure to clinch the deal is no longer as significant to the company's finances as it would have been earlier this year.

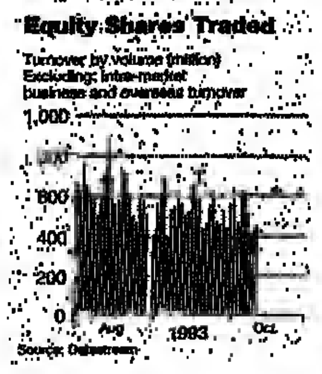
The shares closed a penny ahead at 408p, on volume of 3.9m with traders saying 400p had proved a good support level for the shares. However, UBS was said to have advised investors to "sell" the shares.

Insurers rally

Composite insurers rallied in the afternoon after strong selling in the early part of the session had caused a sharp retreat. Several market watchers had attributed the early decline to a negative note from Kleinwort Benson, but the securities house denied any such move. Commercial Union finished 12 off at 631p, and General Accident lost 14 to 723p. Royal Insurance shed 7 to 308p, after trade of 5.8m.

Oil stocks saw an active day with a variety of triggers sparking trading. With second-line stocks attracting investor interest, one specialist suggested that the sector may be shaping up for a substantial reshuffle. "Some stocks have gone as far as they are going while others are beginning to





Source: Datastream

attract interest and be regarded as having potential." He added that many second-line stocks had steadily been moving themselves into strong positions. "Many have gone through the pain barrier and this is beginning to be recognised. There's a feeling of recovery in the air."

Added to this is the momentum that a more stable oil price has given to the sector.

Enterprise Oil moved strongly ahead after announcing an add-on discovery of oil in a North Sea development. Its price gained 6 to 471p in good volume of 1.7m. Rumours moved through the market of a possible asset swap between Enterprise and Monument Oil and Gas with the two looking at an exchange of activities to balance long and short-term activities. Monument ended the day unchanged at 52 (and three quarters) after a slightly erratic performance. Lasmo struggled a little to hold its price and lost 1¾ to close at 137¼p.

Figures from Darty, the French electrical retailer owned by Kingfisher, impacted badly on the parent company's shares. They closed off 10 at 646p. Stores analysts said that although not as bad as had been expected given the state of the French economy, some investors had used the excuse to take profits after the stock's recent good run.

Do It All owners WH Smith and Boots continued to be buoyed along on the hopes that the expected forthcoming rationalisation is as painless as hoped for. Talk in the market suggests that the companies will probably close around 60 sites, but that a fair chunk of these may have already been sold to other retailers. Smith shares added 3 to 465p, Boots steadied at 502p.

Among banks, broker Smith New Court gained 8 to 378p, after rival BZW was reported to have upgraded profit expectations. Strong two way business in National Westminster brought volume of 3.2m, as the shares firmed a penny to 554p.

Shares in Automated Security, under a cloud since last week's profits warning bounced 16 to 113p, after the company chairman bought 250,000 at 101p.

Talk of cuts in infrastructure spending continued to overhang BICC, which is heavily involved in road building activity through its Balfour Beatty subsidiary. The shares lost another 10 to 397p.

Nervous trading ahead of next week's figures weakened Smiths Industries where the shares fell 4 to 371p. TI Group, whose shares perked up earlier this week after it announced disposals worth £40m was said to have suffered from a stock overhang. The poor market trend together with general profit-taking saw engineering group Siebe give up 9 to 523p.

A gain for Pearson of 2 to 544p came against a generally downbeat media sector. The rise coincided with the launch by S.G Warburg of a multi-media warrant comprising a basket of stocks, mostly with European interests.

Elsewhere, VAT fears gripped publishing stocks with Daily Mail Trust falling 75p to 944; Mirror Group losing 5 to 163p and News International giving up 2 to 288p.

Building materials group MB-Caradon, which yesterday said it is changing its name to Caradon at the end of the month, closed 3 ahead at 339p, after announcing a 94.8 per cent take up of its £334m rights issue. The outstanding rump had been placed with institutions.

An optimistic annual meeting at Ellis and Everard saw the shares bounce 6 to 223p. The company will have an opportunity to sustain investor interest later this week when it hosts lunches with fund managers at a leading London stockbroker.

ICI failed to keep a grip on an early lead and its shares ended unchanged at 723p in modest volume. An announcement that it was restructuring interests in South Africa was not considered particularly sensitive to share earnings.

A stock overhang, said to involve one broker trying to place a lump of 5m shares, restricted Storehouse, off 7 at 200p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 19.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (172). [illegible] WATER (8) Anglian, Nth. West, Northumbrian, Sth. West, Southern, Thames, Welsh, Wessex, MINES (3) Antofagasta, Blyvoor, St. Barbara.
NEW LOWS (14).
BREWERS (1) Macallan-Glenlivet, CHEMS (1) Courtaulds, ELECTRICALS (2) Burnfield, Clarke (T), ENG AERO (1) FR, HEALTH & HSEHOLD (2) Anagen, Smith & Nephew, INSCE BROKERS (3) Alexander & Alexander, Hogg, Marsh & McLennan, MEDIA (1) Gold Greenlees Trott, MISC (2) Photo-Me, Shanks & McEwan, TEXTS (1) Horace Small Apparel.

FINANCIAL TIMES EQUITY INDICES

	Oct 13	Oct 12	Oct 11	Oct 8	Oct 7	Year ago	*High	*Low
Ordinary share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2124.7
Ord. div. yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.82
Earning yld % full	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.51
P/E ratio net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19.45
P/E ratio nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.14
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	60.0

Ordinary Share hourly changes										
Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2325.7

	Oct 13	Oct 12	Oct 11	Oct 8	Oct 7	Year ago
SEAQ Bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity Turnover(£m)†	-	1241.0	936.1	1030.7	1314.1	940.3
Equity Bargains†	-	33,901	34,881	34,016	34,261	24,255
Shares traded (mil)†	-	458.9	426.8	415.8	504.4	389.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3080.9 -13.8	3468.3 -6.6	1526.24 -5.61

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999	117[illegible]	[illegible]	118[illegible]	112[illegible]	8.70	6.65
9pc 2000‡‡	112[illegible]	[illegible]	113	106	8.00	6.57
Treas 13pc 2000	132[illegible]	[illegible]	133[illegible]	125½	9.81	6.68
10pc 2001	118[illegible]	[illegible]	118[illegible]	109[illegible]	8.47	6.84
7pc '01 ‡‡	101[illegible]	[illegible]	101[illegible]	97[illegible]	6.89	6.69
9¾pc 2002	118[illegible]	[illegible]	119[illegible]	108[illegible]	8.23	6.93
8pc 2003‡‡	108[illegible]	[illegible]	109[illegible]	97[illegible]	7.39	6.83
9pc 2003 A‡‡	108[illegible]	[illegible]	108[illegible]	102[illegible]	7.28	6.83

Undated	Price £	+ or -
Consols 4pc	53[illegible]	[illegible]
War Loan 3½pc‡‡	48[illegible]	[illegible]
Conv 3½pc '61 Aft.	69[illegible]	[illegible]
Treas 3pc '66 Aft.	39[illegible]	—
Consols 2½pc	36[illegible]	[illegible]
Treas. 2½pc	33[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]

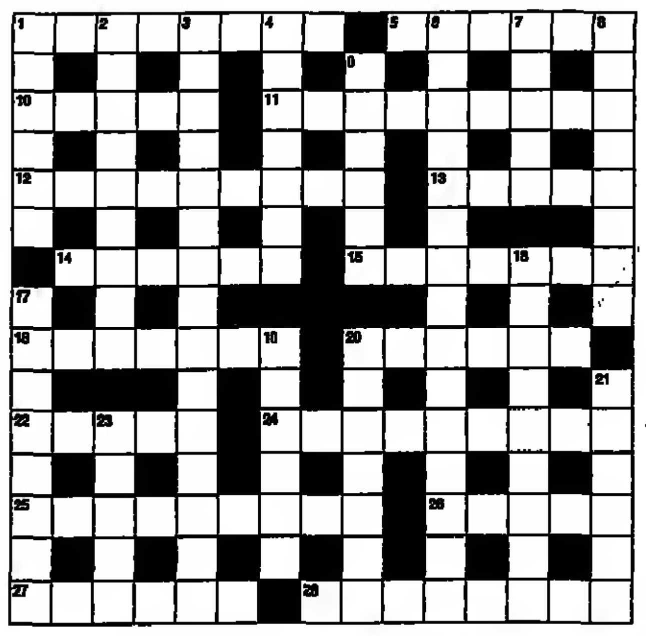
Continued on next page

CROSSWORD

No.8,279 Set by FETTLER

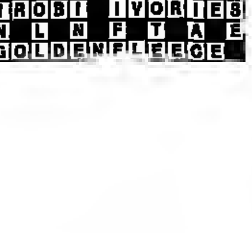
ACROSS
1 Take part in a race requiring fifty to finish (8)
5 Siren's nose (6)
10 Liner (of a kind) as is entering dock (5)
11 All men tee off with reference to the basics (9)
12 They're issued from eastern embassies (9)
13 Procession with no beginning? The devil it is! (5)
14 Shaggy fishes, head to head (6)
15 Deviser revised, creating something different (7)
18 Made a sign of the cross, in religious belief (7)
20 A sapling, hybridised, can be taller (6)
22 Half of them object to change for the better (5)
24 Sweated, by way of flowing drips, consuming energy (9)
25 Badly missed on a solstice or equinox (9)
26 When nuisance of a bore produces tedium (5)
27 Like any dandy, clothes singularly take his fancy (6)
28 Resisted awkward presswoman (8)

DOWN
1 Clothing left out for mate (6)
2 Chew nuts etc. I cater endlessly for such as that (9)
3 Sagacity that's seen in rare measure (15)
4 Troops too, held a small established position (7)
6 One effect of steroids on evolution (15)
7 Fetish the old tribal Eskimos made originally (5)
8 Gave in to having the wing rented out... (8)
9 .... with pasture to duke (6)
16 Resettle the back row (9)
17 Shrieked and scared me silly (a)
19 Throw out half-baked English Spode (6)
20 Exalted threnody, played without end (7)
21 Lets in rump of NUM, occupying mine entrances (6)
23 Guarded capital, wanting to be destroyed (5)



JOTTER PAD

Solution 8,278



EQUITY FUTURES AND OPTIONS TRADING

DISAPPOINTING UK economic data accelerated the slide of Footsie futures yesterday whila index options were once again brisk, writes Christine Buckley.

After a shaky opening, the December contract on the FT-SE 100 mustered a small rise ahead of pnblication of figures for retail prices inflation and manufacturing output for August. But the statistics put the contract on a skid from 3,120 to 3,110 where it managed to find some support.

However, that support was not to prove durable and the contract fell below the important psychological level of 3,100 to touch a 3,088 low. Sellers were evident for most of the morning's trading.

The afternoon was more positive after a bounce in short sterling kicked some confidence back to the ailing contract. Short sterling, as in the previous day's trading, had been bolstered by persistent hopes of an interest rate cut.

December finished the day at 3,102 – only fractionally ahead of the fair value premium to the cash market, which atands at about 21 points. Volume was at its highest level for many sessions at 13,021 contracts.

Index options were healthy, forming the bulk of the traded options activity. Of the total options volume of 35,315 lots, 23,028 were in the FT-SE 100 option and 2,989 in the Euro FT-SE. Many traders were said to be buying both calls and putsfor maximum hedging.

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¾xd	—	20⅞	15⅝	14,998	2.6
Allegheny & W	♥	541½p	+3½	722p	399p	310.2	3.7
Amdahl		386p	–6	591p	294p	345.9	1.1
Amer Cyanamid		37	+⅞	36⅜	31¾	3,324	3.2
Amer Express		23½xd	+⅜	25⅞	14⅝	11,309	2.9
Amer T & T		37¼xd	+⅛	43¼	33⅝	60,871	2.3
Ameritech		55⅝	+1¼	58¾	46	24,245	4.5
Anheuser-Busch		30½	—	41¼	29⅝	8,440	3.1
BankAmerica		29½xd	+⅛	35⅛	27⅛	10,487	3.2
Bankers NY		53¼xd	+⅜	54¾	42⅝	4,406	3.9
Bell Atlantic		39¼	+⅝	42⅜	32¼	17,089	4.5
BellSouth		37¾	—	41	32⅞	18,648	4.0
Bethlehem Steel	♥	9⅛xd	–⅛	13¾	8½	825.9	–
Bowater		1222pxd	+25	1682p	1189p	442.8	3.3
CPC		29½xd	–⅛	34⅝	26	4,511	2.9
California Engy		1148p	—	1478p	1086p	209.0	–
Chase Manhattan		24⅜xd	+⅜	24⅞	17⅝	3,804	3.3
Chrysler		21¾xd	+¼	32⅞	21¼	9,297	1.3
Citicorp		25¼xd	+½	25¼	13⅛	9,413	–
Colgate-Palm		36⅜xd	+⅛	45⅝	32	5,807	2.6
Cont'l Bank		1755p	+34	1677p	1278p	1,773	2.3
Dana		36xd	–⅞	38⅝	29½	1,744	2.8
Data General		640p	–12	951p	527p	176.6	–
Decora Inds	♥	191½p	—	146p	101½p	–	–
Dun & Brad		40⅜	+1⅛	42¾	37⅛	7,286	4.6
Eaton		32⅞	—	34	25⅞	2,236	2.5
Echlin		19¼xd	—	21⅜	18⅛	1,151	2.4
FPL		25¼xd	—	27⅝	23¼	4,678	6.4
Ford Motor		36⅞xd	+⅛	37⅞	23⅞	17,741	3.0
Gen Elect		62⅞xd	–⅞	67⅞	53⅝	53,430	2.7
General Host	♥	482¼p	+5	723p	456p	–	4.6
Gillette		38⅛xd	+⅛	42⅝	31⅞	8,471	1.5
Hasbro		20⅞	—	20⅞	20⅞	1,018	0.8
Honeywell		23xd	–⅞	28½	20⅞	4,769	2.6
Houston Inds		29¾	—	33¾	28¼	3,853	6.7
Ingersoll-Rand		23¼xd	+⅛	25⅞	19⅝	2,493	2.0
Lockheed		42⅛	+½	45⅛	35⅛	2,612	3.4
Lowe's		3168p	+42	3168p	1573p	2,309	0.7
Malvy Technology		269p	—	330p	127p	–	–
Merrill Lynch		68½xd	+1⅞	68⅞	37	7,851	1.4
Morgan (JP)		51¼xd	+¼	52⅞	38¾	9,820	3.1
Morris (Philip)	♣	32xd	–⅞	52⅝	26	28,043	5.5
NYNEX	h	28¾xc	+⅛	32⅛	26⅝	5,838	5.3
Pall		12⅝	–⅛	15	10⅞	1,484	1.7
Pennzoil		30½xd	–1⅞	47¼	31⅜	1,824	3.0
Quaker Oats		43¼xd	+⅛	50⅜	39⅞	3,184	3.2
Quantax		234p	+16	687p	49½p	22.1	–
Rockwell		23⅜xd	+⅛	24⅞	18⅞	6,126	3.8
Rep NY		34⅜xd	+¼	31⅜	29¾	1,799	2.1
Sears, Roebuck		37⅞xd	–¼	38⅞	18⅞	9,614	2.9
Sthwestern Bell	h	28⅞	+⅜	30½	23⅝	16,081	3.7
Sun Co		19¾xd	+½	21⅛	14¾	2,809	6.1
Tenneco		34¼xd	–½	38¼	25½	5,780	3.7
Texaco		45¼xd	+⅞	45¾	37⅜	11,706	4.7
Time Warner		28⅛xd	+⅛	28⅝	18⅝	10,978	0.0
Unitab	♥	380½p	—	500p	358p	186.9	–
US West		31⅝	+⅛	33	24¾	13,187	4.5
Varity		2272p	–5	2579p	1686p	687.8	–
WMX Technologies		19¾xd	—	27⅞	19⅞	9,657	2.8
Whirlpool		3994pxd	+138	4677p	2824p	2,791	2.0
Woolworth	♥	16⅜	+⅛	21½	16⅛	2,224	4.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
J Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	6	158.8	158.3	168.7	+0.10	0.00
AIB Grofund Equity	6	228.0	237.3	244.7	-1.30	1.03
AIB Grofund Euro	6	185.3	187.3	187.2	+0.20	0.28
AIB Grofund Ext Balanced	3	110.2	111.7	115.8	+1.50	0.00
AIB Grofund Gilt	3	79.30	79.32	81.70	+0.80	4.74
AIB Grofund Japan	5	180.1	181.7	191.3	-0.20	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 651122

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dist Gen Dist	6	180.1	183.1	194.1	-0.3	1.66
Do Gen Accum	6	335.9	341.4	361.8	-0.7	1.50
Do Income Dist	6	110.7	112.9	119.7	-0.5	4.46
Do Inc Accum	6	314.1	320.5	339.7	-1.5	4.46
Gilt & Fxd Int	6	43.40	43.44	46.05	-0.01	8.04

Cannon Lincoln Fd Mngrs Ltd (1200)H
1 Olympic Way, Wembley, HA9 0NB
081-902 8876 Dealing: 0800 282821

Capel-Cure Myers UT Mngt Ltd (1200)F

Elcon Ltd (1000)F
Central Ct, Knoll Rise, Orpington, BR6 0JA 0689 70536

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Elcon Trust	5	205.2	205.2	318.3	—	—

Endurance Fund Management Ltd (0905)F
41 Harrington Gardens, London SW7 4JU 071-373 7261

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Endurance Fd	6	187.1	188.4	201.0	—	0.96

Equitable Unit Trust Managers Ltd (1600)F
Walton St., Aylesbury, Bucks, HP21 7QW. 0296 431480

Exeter Fund Managers Ltd (1400)F
23 Cathedral Yard, Exeter EX1 1HB 0392 412144

Glenfriars Unit Tst Mngrs Ltd (0905)F
22 Suffolk St, London SW1Y 4HS 071-930 7532

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Inc Opportunities	2	132.8	132.6	135.9	+0.1	0.00
Higher Income	2	125.2	125.2	131.7	+1.7	3.10

Global Asset Management (1200)F
GAM Sterling Management Ltd
12 St James's Place, London SW1 071-493 9990

Govett (John) Unit Mngt Ltd (1000)F
Shackleton House, 4 Battle Bridge Lane, London SE1

LAS Unit Tst Mngrs Ltd (1000)H

L & C Unit Tst Mngmt Ltd (1000)F

Laurence Keen Unit Trust Mgmt

Newton Fund Mngrs Ltd (1200)F
71 Queen Victoria St, London EC4V 4DR Dealer 0500 440000
Private Client 0500 550000 Broker 0500 660000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	218.54	219.49xd	233.51	-0.38	3.50
Newton Global	6	317.51	321.00xd	341.50	+1.78	2.68
Newton General	6	177.37	180.16	191.67	+0.48	1.58
Newton Bond	6	138.85	138.65	147.21	+0.08	7.80
Newton Growth	5	114.06	116.60xd	124.32	-0.36	1.72
Newton Intracold	4	101.66	103.21	107.02	—	1.70

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Stewart Ivory Unit Tst Mgrs Ltd (1200)F
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	355.3	358.3	378.9	+2.2	0.33
(Accum Units) ♥	5	418.0	418.8	445.7	+2.6	0.33
British	0	1008.5	1008.5	1087.0	-1.1	3.36
(Accum Units)	5	1901.2	1901.2	1885.7	-1.0	3.36
Emerging Markets	5	123.8	124.3	132.4	+2.5	0.20
(Accum Units)	5	123.8	124.6	132.7	+2.5	0.20
European	5	436.9	436.9	464.0	+3.9	1.22
(Accum Units)	0	484.5	484.8	515.2	+4.3	1.22
Japan	5	162.7	162.7	172.8	—	—
(Accum Units)	5	164.0	164.8	174.2	—	—
New Pacific	0	337.4	339.0	361.0	+2.2	0.90
(Accum Units)	0	350.6	355.3	378.3	+2.3	0.91
Investment Tst	5	208.2	208.2	220.7	+0.8	1.80
(Accum Units)	5	232.2	234.4	248.9	-0.7	1.80
Mngd Equity	5	162.3	164.6	173.6	+0.3	1.45
Mngd Equity Acc	5	177.8	178.7	198.5	-0.2	1.45
Mngd Cash	0	95.50	95.50	95.50	+0.01	4.94
(Accum Units)	0	129.4	129.4	129.4	+0.1	4.94
Majority Stg	1	99.70	99.70	100.70	+0.01	4.74
Majority Stg Acc	1	119.44	119.44	120.64	+0.01	4.74

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 690300

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	0	783.0	783.0	838.4	-4.2	2.71
North America	6	124.1	124.1	132.7	+1.5	0.07
Far East	6	142.1	142.1	152.0	+1.5	0.20
W'wide Bond	6	62.94	62.94	66.82	+0.23	6.21
European	6	94.84	94.84	101.4	+0.3	0.73
Equity Income	6	91.05	91.02	98.20	-0.34	3.87
Portfolio	6	81.69	81.69	87.97	+0.15	0.56
UK Leading Cos	6	55.84	56.45	60.06	-0.41	2.73
Exempt Funds						
Intnl Equity	0	62.96	63.44	67.85	+0.27	—

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525726

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	33.78	33.88	36.22	+0.17	0.58
Managed Assets	6	126.62	126.82	136.84	-0.38	2.68
UK Income	6	38.40	39.80	42.67	-0.25	2.84
UK Growth	6	57.95	38.28	40.55	-0.23	2.10
Worldwide Growth	6	32.84	32.96	35.26	-0.03	0.45

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Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 7	£2725.0	2275.0	—	7.80
Inc Gth Prp Jul 12	2144.0	1600.0	—	8.00

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Oct 13	5503.4	5808.4	-32.00	2.28
European Oct 13	£767.1	785.0	+6.20	1.38
American Oct 13	£437.4	441.0	-3.80	1.38
Japan Oct 13	£805.3	612.0	-8.00	0.48
Pacific Oct 13	£227.0	231.0	+0.00	0.75
Midland Gth Aug 31	£131.50	145.80	—	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 30	180.30	190.95	—	8.31
Equity Sep 30	1070.50	1108.0	—	2.78

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond (z)		119.5	+0.2	9.02
(Accum Units)		839.46	-1.8	0.00
MAACF (z)		49.90	—	0.77

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Oct 12	182.5	187.9	—	3.38
UK Small Co † Oct 12	648.5	674.2	—	2.81
Fixed Interest † Oct 12	131.1	121.0	—	0.66
Intl Bond Oct 12	147.7	150.0	—	7.62

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Gross
UK Exempt NAV	£1492.95		—	—
Overseas Exempt NAV	£1417.80		—	—

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American Exempt	85.37	87.92	+0.34	1.21
European Exempt	61.08	62.95	+0.13	2.22
Fixed Int Ex Oct 0	54.30	54.83	—	7.68
Japan Exempt	60.72	67.00	-0.02	0.71
Managed Ex Oct 0	57.80	59.04	—	2.93
SE Asia Exempt	130.60	139.60	+1.00	1.82
Sm Cos Expt Oct 0	45.72	48.00	—	2.63

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prutext				
Managed Oct 6	321.0	335.4	+1.6	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Oct 6	£250.42	256.32	+2.26	-
Equity Oct 6	£282.38	292.21	+3.82	-
International Oct 6	£42.04	43.13	+0.09	-
Intl Bond Oct 6	£21.81	21.88	-0.14	-
Fixed Int Oct 6	£133.29	134.80	+0.49	-
Index Linked Oct 3	£97.41	98.62	+0.86	-
Property Oct 6	£115.46	122.22	+0.41	-
Cash Oct 6	£34.06	34.06	+0.05	-
Pru-Linked Retirement Plan				
Managed Oct 6	587.78	612.20	+4.10	-
Cash Oct 6	306.10	321.00	+0.60	-
Prudential Pensions Investment Account				
Pens Mngd	236.40	254.60	+0.40	-
Pens Mngd A	105.90	111.50	+0.20	-
Pens UK Eq	401.30	432.50	+0.40	-
Pens Intl	300.80	322.20	+1.20	-
Pens Global Eqty	134.50	141.60	+0.20	-
Pens Fixed	299.70	316.40	+0.80	-
Pens Index Lk	245.50	258.10	+0.20	-
Pens Property	92.60	97.70	—	-
Pens Cash	207.30	211.90	+0.12	-
Money Purchase Plan				
Discretionary (z)	137.00	145.70	+0.10	-
Equity (z)	140.50	151.20	-0.10	-
International (z)	136.30	145.40	+0.80	-
Global Equity (z)	138.50	146.60	+0.10	-
Intl Bond (z)	150.70	158.60	+0.20	-
Fixed Interest (z)	150.10	158.60	+0.20	-
Index Linked (z)	135.10	142.20	—	-
Property (z)	104.70	115.20	—	-
Cash (z)	116.40	122.20	—	-
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	754.1	793.8	-0.7	-
Equity	1458.3	1535.2	-7.6	-
Fixed Interest	605.9	637.8	-0.3	-
Property	396.4	417.3	+0.3	-
Cash	[illegible]	[illegible]	[illegible]	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Mngrs Intl Ltd - Contd.						
US$ Deposit Fd		$-	1.012		—	2.04
Sterling Deposit Fd		£-	1.006			4.94
French Franc Dep Fd		FFr-	10.49		+0.01	7.00
Swiss Fr Dep		SFr-	5.121		+0.001	3.56
DM Deposit Fd		DM-	5.203			5.71
Yen Deposit Fd		Y-	505.7		—	2.01
Aust Dlr Deposit Fd		A$-	1.021		+0.001	3.60
US Dollar Bond		$-	1.082		—	4.66
Yen Bond		Y-	533.0			
3D Dollar Global Curr		$-	0.9831		+1	3.78
Sterling Global Curr		£-	1.113		+0.004	1.80
					—	2.4
John Govett (Channel Islands) Ltd (1000)F						
5 Mulcaster Place, Helier, Jersey 0534 38579						
Global High Income	5½	$10.93	10.93xd	10.87	+0.03	10.5
Dollar Cash	5½	$8.84	8.84xd	8.87		3.00
Japanese Smlr Cos	5	Y1001	1001xd	1013	-2	0.00
Far East Equity	5½	$18.05	18.05xd	18.40	+0.13	0.75
US Smaller Cos	5½	$18.07	18.07xd	18.54	+0.34	0.75
European Equity	5½	DM13.13	13.13xd	13.24	-0.03	2.00
UK High Income	5	25.51	5.51xd	5.63	—	8.4
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mngrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 604814						
Stg Fixed Int	3½	£1.400	1.400	1.456	-0.001	7.00
Offshore High Yield	3½	£1.579	1.585	1.640		9.22
Global Equity Fund	5½	$17.37	17.37	18.58	-0.02	0.00
European Equity	5½	DM21.78	21.78	23.23	-0.05	1.82
UK Growth (C Fund)	5½	£5.604	5.604	5.887		1.52
Nth American Eqty	5½	$11.00	11.69	12.48	+0.05	0.00
Far Eastern Eqty	5½	£15.46	10.46	16.83	+0.04	0.00
International Mngd	5½	$14.01	14.01	14.98	+0.03	0.00
Intl. Bond Fund						
Sterling Managed	3½	£12.18	12.18xd	12.69	+0.05	7.21
US Dollar Managed	3½	$14.24	14.24xd	14.86	+0.02	5.36
International Currency Fund						

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 3151 14051						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£-	13.00	-	-0.18	—
UK Smaller Co's Eqty		£-	18.29	-	+0.02	—
Nth American Equity		$-	10.51	-	+0.02	—
US Smaller Co's Eqty		$-	11.14	-	+0.01	—
Pacific Basin Equity		$-	12.98	-	+0.05	—
Japanese Equity		Y-	832	-	-1	—
European Equity		DM-	10.22	-	-0.51	—
Bond Sub-Funds						
Sterling Fixed Int		£-	13.58	-	+0.01	—
Sterling Fixed Int Dis		£-	11.55	-	—	—
European Fixed Int		DM-	11.24	-	+0.03	—
European Fixed Int Dis		DM-	9.85	-	+0.05	—
International Sub-Funds						
Global Equity		$-	11.18	-	-0.05	—
Global Bond		$-	12.10	-	+0.02	—
Global Bond Div		$-	10.06	-	+0.02	—
Global Managed		$-	10.38	-	—	—
Banque Scandinave a Luxembourg SA						
10 Boulevard Royal, L-2449, Luxembourg						
Scandifonds						
Scandifond Equity Fund						
Equity Int. Acc	5	$-	17.26	17.44	-0.01	3.17
Equity Global	6	$-	1.56	1.57		—
Equity Natural Res	5	$-	1.22	1.24	+0.01	—
Equity Japan Acc	6	Y-	115.35	116.55	-0.7	—
Equity UK	6	£-	1.40	1.32		—
Equity Nordic	5	$-	1.41	1.43	+0.01	—
Equity North America	5	$-	2.05	2.08	+0.01	—
Equity Mediterranean	5	$-	0.98	1		—
Equity Cont Europe	5	$-	1.67	1.7	+0.01	—
Scandifond Far East						
Far East Global	6	$-	4.01	4.08	+0.04	—

INVESCO International Limited - Contd.

Jupiter Tyndall Global Fund

JERSEY (REGULATED)(**)

ISLE OF MAN

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Speculation hits Belgian franc

PRESSURE for lower European interest rates and a wave of speculative sellling hit the Belgian and French francs yesterday. Sterling also suffered as a result of disappointing statistics on inflation and industrial production, *writes Peter John.*

The Belgian franc epiked lower against the D-Mark in early European trading as one large investor was said to have sold the currency very heavily. The trade was apparently sparked by a report from a US financial consultancy which painted a very grim picture of the Belgian economy.

A number of dealers said the selling might have been carried out hy Mr George Soros'e Quantum Fund, which played a large part in the forced exit of sterling from the exchange rate mechanism last year.

Mr Soros has become something of a market bogeyman and whether he was involved or not the currency continued to be held back by what one dealer described as "genuine commercial selling".

The Bank of Belgium intervened sporadically and maintained the currency around BFr21.90 to the D-Mark. The currencyclosed at BFr21.89, down from BFr21.78 at the close of trading on Tuesday.

Economists said the market would remain concerned at least until there is some news next week on the Belgian government's social pact – a consensus on how to improve companiea' competitiveneas, reduce labour costs and create jobs.

Also causing investor concern are Belgium's huge oational debt and lingering worriee that Luxembourg might decouple its currency from the Belgian franc.

The selling spilled over to the French franc which fell sharply as lower overnight money rates provided signals that the Bank of France may be more kindly disposed to lower interest rates. Also, Mr Edmond Alphandéry, the minister for the economy, said a weaker franc over the past year had been a key fact for etimulating growth. The French franc cloeed at FFr3.5290 against the D-Mark, down from FFr3.5120.

In the UK tbe spectre of inflation without growth was raised by the announcement of rising inflationary pressures at the retail level and lower than expected manufacturing output. Tha pound fell sharply against a strong D-Mark – hitting DM2.4361 at one stage – and also against the dollar. However, it was revived by a spurt of buying from the Middle East and recovered from a low of $1.5195 to $1.5220. Against the German currency, it closed at DM2.4420, slightly down on the day.

The dollar staged a brief rally early in the day as some dealers decided that it had fallen far enough and they were picking up a bargain. It moved back through DM1.60 to close at DM1.6035 against the D-Mark, up from DM1.5960, but there was little volume to back up the rise. The market is waiting for tomorrow'e data on September retail sales and producer prices.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.13634	-2.75	6.41	-
D-Mark	1.94964	1.89928	-2.58	6.22	-
Spanish Peseta	154.250	154.428	0.12	3.36	-1
Irish Punt	0.808628	0.811744	0.39	3.06	-3
Portuguese Escudo	192.854	197.163	2.23	1.22	-15
French Franc	6.53883	6.68716	2.27	1.19	-19
Danish Krone	7.43679	7.68633	3.36	0.12	-23
Belgian Franc	40.2123	41.6119	3.48	0.00	-25

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Short rates squeeze up

WORRYING atatlstics on inflation failed to whip the UK money markets into a frenzy of rate cut enthusiasm yesterday, possibly because the data were offset by tight money squeezing short term rates higher, *writes Peter John.*

The latest figures for retail price inflation suggested that the UK might have tilted from a trend of low growth with no inflation to inflation with no growth. That would be the worst possible situation for the pound and could make the need for lower interest rates even more pressing.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, short sterling futures which signal the market's view of where interbank rates will be at a fixed dats – and consequently, tha direction of base rates – failed to respond to the news.

The contract for December delivery closed only two basis points higher on the day at 94.46 although turnover waa very high at more than 55,000 contracts, euggesting very active two-way business.

Many traders believe that Mr Kannath Clarke, the chancellor, will cut base rates on or around the November 30 hndget.

Bank of England operations were hampered by an apparent unwillingness from the main clearing hanks to borrow money. An early forecast of a £1.25bn shortage was later revised down to £1.2bn and left outstanding for much of the day.

One dealer said: "The daily miracle [the ability to always balance the national books acceptably by the end of the day's dealing's] almost didn't happen." The central bank did not provide assistance during the early round and bought only £53m of bills at the next availahle opportunity. In the early afternoon the Bank provided a further £494 and the overnight lending rate was pushed to 7 per cent – it has been below 4 per cent recently. The Bank provided final assistance of £350m.

Other European short-currency futures contracts were also firmer as the market's desire for lower rates increased. The French franc contract traded on Liffe wae higher as French call money was quoted at 7 per cent, down from 7.2 per cent. Call money usually commands a rate between the low level intervention rate, and the upper level rate of 7.75 per cent. Analysts said that if the call rate was quoted below 7 per cent today it would be a strong signal that the intervention rate would fall.

FINANCIAL FUTURES AND OPTIONS

Estimated volume 53,345 † Total Open Interest 515,570
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5225	1.5190	1.5129	1.5053	1.4921

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 13)	3 months US dollars		6 months US Dollars
bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.03	Three year	4.09
Broker loan rate	5	Two month	3.07	Five year	4.65
Fed.funds	3⅛	Three month	3.11	Seven year	4.83
Fed.funds at intervention	-	Six month	3.21	10-year	5.27
		One year	3.34	30-year	0.93
		Two year	3.82		

Oct 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.70-6.80	6.70-6.85	6.65-6.80	6.55-6.70	6.35-6.45	7.25
Paris	7-7⅛	7.20-7.40	-	7.13-7.33	-	6.75
Zurich	4½-4¼	4½-4⅜	-	4⅞-4⅝	-	-
Amsterdam	6.38-6.43	6.42-6.47	-	6.33-6.38	-	-
Tokyo	2½-2⅝	-	-	-	-	-
Milan	8⅞-8⅝	8⅞-8⅞	-	8¾-8⅞	-	-
Brussels	9⅞-9⅞	9⅞-9¼	-	9⅞-9⅞	-	-
Dublin	6⅞-6⅞	6⅞-7⅟₁₆	6⅞-7	6⅞-7	6⅞-6¾	-

LONDON MONEY RATES

Oct 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7¼	6	5⅞	5⅞	5⅞	5⅞
Interbank Bid	5⅞	6⅞	5⅞	5⅞	5¾	5⅞
Sterling CDs	-	-	5⅞	5⅞	5⅞	5⅞
Local Authority Deps.	5	0⅞	5⅞	5⅞	5⅞	5⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6⅞	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5⅞	5⅞
Treasury Bills (Buy)	-	-	5⅞	5¼	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Rea Brothers	6
Allied Trust Bank	6	Duncan Lawrie	6	*Roxburghe Bank Ltd	6
AIB Bank	6	Exeter Bank Limited	7	*(In administration)	
●Henry Ansbacher	6	Financial & Gen Bank	7	Royal Bk of Scotland	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	●Smith & Williman Secs	6
Bank of Baroda	6	Girobank	6	Standard Chartered	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	TSB	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	●United Bk of Kuwait	6
Bank of Ireland	6	●Hambros Bank	6	Unity Trust Bank Plc	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Western Trust	6
Bank of Scotland	6	●Hill Samuel	6	Whiteaway Laidlaw	6
Barclays Bank	6	C. Hoare & Co	6	Wimbledon & Sth West	7
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Yorkshire Bank	6
●Brown Shipley	6	Julian Hodge Bank	6		
CL Bank Nederland	6	●Leopold Joseph & Sons	6		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	Mount Banking	6		
Coutts & Co	6	NatWestminster	6		
Credit Lyonnais	6	Nykredit Mortgage Bnk	6.5		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NETHERLANDS (continued) [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

4 pm close October 13

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close October 13

[illegible]

Sales	Stock	High	Low	Close Chng
3375	Rio Algom	$17¾	17¼	17½
698687	RogersCom B	u$22¾	22	22½ +1⅛
400	Rothmans	$100	100	100
657131	RoyalBkCan	$27¾	27¼	27⅝ +¼
88400	Ryl Oak Mn	$6⅜	6⅛	6¼
680	StLawrCm A	$7½	7½	7½
67484	SceptreRs	$15	14¼	14⅜ -⅝
500	ScotPaper x	$10⅛	10⅛	10⅛
5550	MetroRich	$10⅝	10⅜	10½ -⅛
1172400	NatBk Can	$10¼	10	10¼
6000	Quebecor A	$18	18	18
3029	Univa	$7¾	7⅝	7¾
178389	Videotron	u$28	27¼	27⅞ +⅞

Total Sales 39,879,157 shares

INDICES

NEW YORK DOW JONES [illegible]

DJ Ind. Day's High [illegible]

STANDARD AND POOR'S [illegible]

NYSE Composite [illegible]

Amex Mkt. Value [illegible]

NASDAQ Composite [illegible]

Dow Industrial Div. Yield [illegible]

S & P Industrial div. yield [illegible]

S O P Ind. P/E ratio [illegible]

NEW YORK ACTIVE STOCKS [illegible]

TRADING ACTIVITY [illegible]

CANADA TORONTO [illegible]

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto [illegible] indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ [illegible] Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical [illegible] the highest and lowest prices reached during the day by each stock; [illegible] (supplied by Telekurs) represent the highest and lowest values that the [illegible] figures in brackets are previous day's). ♥ Subject to official [illegible]

	Oct 13	Oct 12	Oct 11	Oct 8	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2038.6	2038.6	2039.8	2026.2	2039.80 (11/10)	1495.00 (13/1)
All Mining (1/1/80)	856.9	844.1	853.5	842.5	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	403.65	402.56	398.3	392.87	403.65 (13/10)	300.26 (14/1)
Traded Index (2/1/91)	1037.81	1034.53	1027.13	1007.31	1037.81 (13/10)	712.09 (15/1)
BELGIUM						
BEL20 (1/1/91)	1348.45	1348.38	1349.98	1347.1	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.29	335.05	338.91	334.05	340.58 (19/8)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1491.8	1472.8	1485.9	1486.3	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	598.84	590.70	593.41	590.92	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2127.28	2128.85	2138.72	2156.38	2216.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	772.75	769.05	774.55	765.57	774.55 (11/10)	598.82 (14/1)
Commerzbank (1/12/53)	2210.1	2198.8	2215.0	2189.4	2215.00 (11/10)	1694.30 (14/1)
DAX (30/12/87)	2001.51	1998.01	2011.02	2005.01	2011.02 (11/10)	1516.60 (19/1)
HONG KONG						
Hang Seng Bank (31/7/64)	8292.96	8258.45	8192.18	8006.56	8292.96 (13/10)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1728.17	1733.08	1723.20	1707.34	1754.84 (18/8)	1191.18 (11/1)
ITALY						
Banca Comm. Ital. (1972)	588.03	579.84†	584.75	580.70	632.86 (30/8)	448.33 (8/1)
MIB General (4/1/93)	1250.0	1276.0	1286.2	1288.0	1380.00 (30/8)	982.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20098.40	20137.31	(c)	20378.64	21148.11 (13/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1645.53	1652.28	(c)	1658.40	1698.67 (3/8)	1250.06 (25/1)
2nd Section (4/1/68)	2227.69	2244.84	(c)	2249.85	2384.97 (7/8)	1651.72 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	911.38	905.71	895.15	884.82	911.38 (13/10)	614.28 (19/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	388.9	388.2	387.9	388.6	388.50 (13/10)	285.70 (4/1)
CBS All Shr (End 1983)	252.1	251.9	251.7	250.9	252.30 (31/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	972.07	981.85	988.70	969.61	979.17 (13/8)	689.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2112.03	2093.83	2026.53	1992.72	2112.03 (13/10)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	537.99	536.39	535.06	532.12	537.99 (13/10)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1777.0♥	1685.0	1724.0	1675.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4538.0♥	4528.0	4513.0	4504.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	740.39	723.57	722.09	714.58	777.25 (9/8)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	294.83	(c)	294.23	292.58	304.88 (30/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1371.9	1383.8	1352.80	1348.30	1371.90 (13/10)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1100.05	1097.00	1089.92	1088.79	1100.05 (13/10)	904.80 (11/1)
SBC General (1/4/87)	878.15	872.72	872.37	867.97	878.15 (13/10)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3994.51	3942.25	(c)	3963.19	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	1140.90	1101.96	1123.74	1098.64	1140.90 (13/10)	818.04 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) 6	602.9*	604.4	603.3	603.8	605.20 (6/9)	488.80 (13/1)
Euro Top-100 (26/6/90)	1128.53	1128.04	1132.87	1133.50	1133.50 (8/10)	862.73 (13/1)

**Saturday October 9: Taiwan Weighted Price: 3985.66, Korea Comp Ex: 712.35.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold – 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, October 13, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.2m	327	-6	Mitsubishi Heavy	2.2m	682	-11
Fujitsu Ltd	*4.0m*	*857*	*-4*	*Asahi Bank*	*1.9m*	*1,250*	*+20*
Sumitomo Mtl Min	2.9m	924	+10	Mitsubishi Kakok	1.9m	1,250	+30
NKK Corp	2.7m	274	-3	Ebara Corp	1.8m	1,430	+10
Marubeni	2.2m	502	-28	Sharp Corp	1.8m	1,540	-10

4 pm close October 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	68	114	13½	13¼	13⅜	-⅛
29⅞	13¾	A L Labs A	0.18	1.0	35	624	17⅞	17½	17⅞	
67¼	54⅝	AMP Inc	1.60	2.5	22	1612	65	64⅛	64⅛	-⅝
72¾	55½	AMR			17	3564	65¾	64¼	65¼	+¾
3⅞	1¾	ARX			14	656	u3⅞	3¾	3⅞	+⅛
51½	29⅞	ASA	2.00	4.3	30	822	47	46⅛	46⅜	-¼
30¾	22⅝	Abbott Lab	0.68	2.6	18	7668	26¾	26½	26¾	-⅛
12⅝	8¼	Abitibi Pr	0.50	5.9	3	2	8½	8½	8½	+⅛
15⅜	9¼	Acptncsin			47	66	u15⅝	15¼	15¼	
38	25½	ACE Ltd	0.92	2.8		749	33¼	33	33	-⅛
12	10¾	ACM Gvt In	0.96	8.5		248	11⅜	11¼	11¼	-⅛
10	9⅛	ACM GvOpp x	0.80	8.0		258	u10	9⅞	10	
9⅞	8¾	ACM Gvt Sp x	0.80	8.2		336	9¾	9⅝	9¾	+⅛
11⅝	10½	ACM Gvt Se x	0.96	8.3		227	11½	11⅜	11½	+⅛
11⅝	9⅝	ACM Man x	1.08	9.3		17	u11⅝	11½	11⅝	+⅛
9⅞	8⅝	ACM Mangd x	0.72	7.8		106	9¼	9⅛	9¼	+⅛
12⅞	7¾	Acme Cleve	0.44	4.6	12	31	9⅝	9½	9⅝	
9¼	6⅞	Acme Elect			55	97	7⅞	7¾	7⅞	+⅛
27⅝	18⅜	Acordia	0.44	1.7	15	1058	25½	25¼	25½	-⅛
18	10⅞	Acxxon			33	399	12¼	12⅛	12⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

4 pm close October 13

NYSE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close

Continued from previous page

- S -

High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
22	15½	9 Anita Rl x	1.36	7.1	17	32	19⅜	19½	19¾	
20¾	14⅞	SCOR US Cp	0.32	1.9	209	150	16¾	16⅝	16¾	+⅛
29⅜	26	SPS Techno	1.28	4.3	21	120	u30	29⅝	29⅝	+⅛
15⅞	12⅞	Sabine Rlt x	1.74	11.4	10	77	15¼	15⅛	15¼	
14	8⅞	Safecard	0.20	1.5	13	219	13¾	13¾	13¼	-⅛
23½	16⅝	Safeg'd Sc			10	23	22¼	22	22	-¼
24¾	14⅛	SafetyKln	0.36	2.5	22	1606	14½	14¼	14½	+¼
20⅞	10⅞	Safeway			25	3480	u21⅛	20⅝	20⅞	+½
4⅞	2	SafewayW95				90	u4⅞	4¼	4¼	
55	37½	StJoePaper	0.20	0.4	143	57	48¾	48¾	48¾	-⅛
37⅞	31	StJoeL&P	1.76	4.9	14	11	35¾	35⅜	35⅝	-⅜
94	75	St Paul's	2.80	3.2	14	1122	90⅛	87	87½	-2⅝
11½	7½	Salant Crp			4	1154	9⅛	9	9	-⅛
75¼	38⅞	Sallie Mae	1.20	2.5	19	1619	47¼	46¼	41⅛	-½
14¼	13	Salomon Br	0.32	2.3		479	13⅞	13¾	13⅞	
51⅞	34	SalomonInc	0.64	1.3	12	4242	50⅛	49⅛	49⅞	+⅝
27¾	23¼	SanDgo G&E	1.48	5.7	14	1105	26	25⅞	26	
5	3½	SantaFeEDu	0.40	8.2	40	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeERs	0.16	1.6	500	1722	10	9¾	10	
40¾	35¾	SantaFePac	2.80	7.2	13	61	38⅝	38¼	38⅝	+⅛
19½	12¾	SantaFPac	0.10	0.5	12	3083	u19⅝	19⅛	19½	
31⅛	21	Sara Lee	0.86	2.3	19	2734	25⅞	24⅞	25¼	-⅛
51⅞	40⅛	Scana Corp	2.74	5.4	15	774	50⅞	50¾	50⅞	
25¾	21½	Scecorp	1.42	6.6	13	7001	21⅞	d21⅛	21½	-⅛

NASDAQ NATIONAL MARKET

4 pm close October 13

AMEX COMPOSITE PRICES

4 pm close October 13

AMERICA

US stocks supported by merger deal

Wall Street

US blue chip stocks firmed slightly and secondary issues set new record highs yesterday morning as investors rssponded positively to the announcement of one of the biggest mergers in US corporats history, *writes Patrick Harverson in New York.*

At 1pm, tbe Oow Jones Industrial Average was up 6.98 at 3,600.11. The more broadly based Standard & Poor's 500 was 0.20 lower at 460.92, while the Amex composite was up 3.65 474.15, and the Nasdaq composite up 3.19 at 775.65. Trading volume on the NYSE was 175m shares by 1 pm.

The pattern of recent days – blue-chip stocks ignored as investors buy smaller-company and Nasdaq issues in their search for growth opportunities – was again repeated yesterday, with secondary indices moving to new all-time highs.

All prices moved higher from the opening, lifted by the news that telecommunications group Bell Atlantic will merge with cable giant Telecommunications Inc in a deal that is valued at close to $20bn.

A spate of mergers, several of them in the telecoms and entertainment businesses, have been announced recently, lifting investor sentiment at a time when sluggish economic growth might otherwise be depressing share prices.

Tbe markets were also buoyed by the first batch of third quarter corporate earnings releases, which on the whole have been better than analysts and investors had expected.

Among individual stocks, TCI rose $1¾ to $30¾ on the Nasdaq market in volume of 11m shares and Bell Atlantic firmed $¾ to $60⅞ on the NYSE as the two companies announced a merger agreement.

Bell will pay $11.8bn in stock for TCI, and will also assume $9.6bn in debt, which means that the ultimate value of the deal could rival the 1989 buy-out of RJR Nabisco, which until now was the biggest ever.

Other entertainment, telecommunications and cable stocks rose sharply on the news amid hopes that similar transactions between the two industries will soon be concluded.

On the Nasdaq market, Liberty Media, which is part-owned by TCI and will also be sold to Bell Atlantic, rose $1⅝ to $28¼, Vanguard Cellular climbed $1 to $30, TCA Cable added $1⅝ at $27⅛, and Broad-Band Technologies climbed $5 to $42¼.

On the NYSE Walt Disney ross $2⅜ to $42½ and Time Warner $1⅛ to $44⅞.

Weyerhaeuser fell $⅞ to $39 after the company reported a 38 per cent declins in third quarter nst income, evsn though the company's operating results held up well.

First Chicago added $½ at $49⅞ after ths hanking group announced a third quarter profit of $284m, up from the $372m loss incurred in the same period a year ago when the company took a charge to cover asset disposals.

Canada

TORONTO was little changed at midday following some large block trading early in the session.

The TSE 300 composite index was up just 0.24 at 4,107.55 in turnover of C$371.06m. Declines outpaced advances 313 to 253, with 274 issues holding steady.

SOUTH AFRICA

FOREIGN bnyers and local institutions targetted gold stocks as the price of bullion remained steady at $366 an ounce. The gold index gained 82 or 4.7 per cent to 1,777, industrials 10 to 4,538 and the *overall 30 to 3,937.*

EUROPE

Profit-taking limits gains in continental bourses

RENEWED pressure for a further round of interest rate cuts provided background noise yesterday, *writes Our Markets Staff.*

Howsver, Morgan Stanley commented that while they still expect European short-term interest rates to fall below 4 per cent in the core countries by next year, earnings growth is unlikely to be sufficient "to prop up current valuation levels in European equities".

As a consequence Morgan Stanley has reduced its European equity weighting in its model portfolio, although continuing to highlight Germany "where the benefits of corporate restructuring should support corporate earnings growth".

FRANKFURT slipped from the day's highs on late profit-taking, but the DAX index still managed to stay just above the 2,000 level at 2,001.51, a day's gain of 2.90.

Equity market commentators remarked that sentiment in Germany remained positive at present, helped by Tuesday's news that the federal constitutional court had rejected challenges to the Maastricht treaty. Turnover was DM8.5bn.

A recent announcement that a new mutual fund was to be launched on October 20 which could inject soms DM2bn into equities was also keeping sentiment high, analysts said.

Schering rose DM50 to an all time high DM1,069 on news that production of its Betaseron drug may be increased.

A record high was also recorded by Kloeckner, up DM7.70 to DM92.20 on reports thet its steel division might be sold. Wella put on DM26.50 to DM848 ahead of reporting after the close a rise in its dividend and plans to list 20 per cent of its ordinary shares.

PARIS was another market which lost ground in late trading, the CAC-40 index ending up just 0.43 at 2,127.28, after a day's high of 2,144. Turnover was FFr3.4bn.

Turbulence in the currency markets which pushed the French franc down sharply had some effect on the market.

Générale des Eaux shed FFr39 to FFr2,618 following its announcement, widely expected, of a FFr3-4bn rights issue by the end of the year. James Capel kept the stock at a buy recommendation given expectations of outperformance ou a 12 month view, helped hy steady development in core activities and recovery potential in loss making businesses.

ZURICH extended its record breaking run to four sessions, the SMI index adding 18.5 to 2,571.0. Strong demand for hlue chip index heavyweights was attrihuted to short covering ahead of tomorrow's futures and options expiry.

Ciba-Geigy registered shares slipped SFr2 to SFr718 in response to nine month results and the forecast of higher full year profit, although limited by economic conditions.

MILAN finished lower ahead of the end of the monthly account today and began clearing the way for the Fiat rights issue. The Comit index shed 11.91 or 2.1 per cent to 568.03, with the failure of a small Milan brokerage house also casting a shadow.

One analyst commented that the lower market was a positive sign for the Fiat capital raising exercise since it suggested that investors were cashing in profits in preparation for issue which hegins tomorrow. Fiat shed L62 to L5,662.

Ferruzzi was a major casualty of the session. The stock was delayed from trading on several occasions due to order imhalancss and the rapid decline in the price. It ceased trading L101.40 or 24.8 per cent lower at L308.

AMSTERDAM saw strong support for Unilever, up Fl 3.10 to Fl 203.80 as the CBS Tendency index added 0.1 to 128.8.

Oce, the office machines manufacturer, rose Fl 1.80 to Fl 52.80 on better than expected third quarter results.

STOCKHOLM saw further gains in Ericsson as the Affärsvärlden general index attempted to breach its all time high set in August 1989. However, it finished slightly below, up 8.10 at 1,371.90.

ATHENS built on Tuesday's gains as investors decided that the election of the socialist party to government was good news. The general index added 25.21 or nearly 3 per cent to 874.62 after a rise of 2.2 per cent on Tuesday.

Mr Stuart Harley of Schroders commented that the market had been driven yesterday mainly by individuals with little institutional buying noted. The banking sector, he added, was particularly active.

Written and edited by John Pitt and Michael Morgan.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

October 13 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1319.68	1318.25	1318.10	1317.44	1315.68	1316.31	1317.33	1317.05
FT-SE Eurotrack 200	1390.66	1391.50	1391.43	1390.36	1388.99	1388.85	1392.41	1391.36

	Oct 12	Oct 11	Oct 8	Oct 7	Oct 8
FT-SE Eurotrack 100	1315.91	1319.98	1321.16	1317.76	1321.84
FT-SE Eurotrack 200	1393.81	1401.02	1405.46	1401.97	1403.39

Base value 1000 (26/10/90) High/day: 100 - 1319.75; 200 - 1394.22 Low/day: 100 - 1314.49 200 - 1387.01

Zimbabwe gains ground

Tony Hawkins reports on the turn around of the equity market led by renewed foreign buying

Ten years ago Zimbabwe's *finance minister* Mr Bernard Chidzero denounced the stock exchange as the "prostitute of the economy".

Industrial share prices, whicb reached a record high less than a year after independence, plummeted to a 17 year low in 1984 as investors took fright at President Robert Mugabe's strategy of "socialist transformation" and Mr Chidzero's expropriation, for balance of payments reasons, of domestically-held foreign equities and bonds owned by Zimbabwean investors.

Today the wheel has turned full circle. In April, Mr Chidzero liberalised the regulations governing foreign investment allowing overseas investors to buy up to 25 per cent of companies listed on the ZSE and allowing residents to open foreign currency deposit accounts with Zimbabwe banks.

This was followed by reductions in capital gains tax on share market investment to 10 per cent from 30 per cent, and the withholding tax on dividends declared by quoted companies to 15 per cent from 20 per cent. From January companies will also be allowed to open foreign currency accounts, having the effect of "floating" the Zimbabwe dollar.

The impact of foreign buying on the equity market has been dramatic. The industrial index, which reached a peak of 2,700 (Jan 1967=100) in September 1991, before losing two thirds of its value, *dipping* below 900 at the end of last year, has staged a strong come back.

It began moving off the bottom in the first half of the year picking up almost 10 per cent; but it was only when foreign huying started in late June that the market took off, rising more than 65 per cent in the last three months to 1,650.

Market capitalisation which had fallen from a peak of Z$7bn ($1.7bn) in September 1991, to Z$3.4bn at the end of last year, has recouped all its losses, but because of devaluation it remains well below its 1991 hard-currency high of $2.7bn.

Initial interest came from individuals, but following the tax reductions in the July budget, emerging market funds, mainly UK-based but also some from the Far East, the US and Australia, started buying.

Fund investors are driven primarily by price-earnings considerations. At mid-year the *Harare* industrial p/e ratio of 3.9 was sbout half the 8.0 acceptable to fund managers, but now it is hovering around 7.6 and seems set to move higher.

Turnover has jumped from Z$750,000 ($115,000) weekly in the first half of the year to more than Z$10m (US$1.5m), of which over 40 per cent is foreign buying. In less than four months since liberalisation, foreigners have put soms Z$60m ($9m) into the market, which is more than tbe net inflow of foreign direct investment since independence 13 years ago.

Ironically, foreign buyers are pushing prices up at a time when many, if not most, of the ZSE's 62 listed companies are reporting falling earnings.

But with inflation and interest rates now on their way down and the economy expected to register marginal growth in 1993 the market is scenting better days ahead, though analysts expect another six to nine months of poor corporate profits.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Sep 17 1993	% Change over week	% Change on Dec '92	Local currency terms: Sep 17 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	774.36	+3.2	+33.5	475,160.07	+3.2	+33.8
Brazil	(44)	235.98	+6.5	+88.8	45,839,560.15	+16.8	+2,098.1
Chile	(20)	459.54	+2.7	+9.8	760.93	+3.3	+18.7
Colombia[1]	(8)	505.56	+5.8	+18.9	727.55	+6.0	+19.0
Mexico	(58)	711.23	+1.8	+5.2	954.99	+1.5	+5.2
Peru[2]	(7)	111.47	+1.5	+11.5	146.76	+2.0	+45.8
Venezuela[3]	(8)	548.40	+8.4	+5.5	1,244.31	+11.0	+33.3
East Asia							
South Korea[4]	(130)	96.75	-1.5	-1.4	103.18	-1.2	+1.4
Philippines	(11)	194.40	+1.7	+45.6	262.02	+0.4	+82.1
Taiwan, China[5]	(76)	78.97	+0.5	+7.0	79.60	+1.5	+14.1
South Asia							
India[6]	(61)	90.47	-0.2	-3.5	100.05	-0.2	+4.8
Indonesia[7]	(31)	92.42	-1.4	+57.5	105.59	-1.3	+60.5
Malaysia	(61)	258.32	+5.0	+57.8	242.18	+4.7	[illegible]
Pakistan[8]	(8)	234.29	+2.0	+17.0	316.86	+2.0	+96.7
Sri Lanka[9]	(5)	130.85	-0.5	+30.8	139.84	-0.6	+39.8
Thailand	(52)	315.69	+13.8	+37.0	318.75	+14.0	+35.8
Euro/Mid East							
Greece	(17)	234.42	+3.8	+35.2	370.30	+2.9	+30.0
Jordan	(5)	170.76	+3.1	+23.0	243.07	+2.8	+46.6
Portugal	(16)	108.98	+4.6	+41.8	124.24	+3.2	+59.4
Turkey[10]	(31)	188.35	-4.6	+174.2	1,071.20	-2.0	+299.4

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Jan 3 1992; (5)Jan 4 1991; (6)Nov 6 1992; (7)Sep 28 1990; (8)Mar 1 1991; (9) Dec31 1992; (10)Aug 4 1989

ASIA PACIFIC

Nikkei eases as region sets records

Tokyo

CONTINUED selling of Nikkei 225 component stocks which failed to be included into the new Nikkei 300, depressed share prices, but tbe index recouped some of the morning losses on afternoon support from arbitrageurs and investment trusts, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average fell 98.91 to 20,038.40. The index hit the day's high of 20,167.22 before failing to the day's low of 19,997.90 in the morning session, dropping below the psychological support level of 20,000 for the first time since September 29.

Volume totaled 235.3m shares against 225m. Losers led winners by 639 to 349 witb 175 issues remaining uncbanged. The Topix index of all first section stocks fell 6.73 to 1,645.53, while in London, the ISE/Nikkei 50 index rose 0.10 to 1,276.95.

Profit-taking in stocks which were adopted for the new 300 issue index was also noted. Some traders said index-linked selling was not helping sentiment, already weak from pessimism over the economy.

Mr Alan Livsey, strategist at Kleinwort Benson, said few investors were willing to take the risk of selling before a possible income tax cut and economic recovery next year.

Among Nikkei 225 component stocks, not included in the new index, Hitachi Zosen fell Y4 to Y375, Suzuki Motors lost Y15 to 945 and Keisei Electric Railway declined Y20 to Y1,130.

Nikkei 300 component stocks which fell on profit-taking included House Food Industrial, Y40 lower at Y2,710, and Secom, the security company, whicb lost Y30 to Y7,060.

Video game and other entertainment companies fell on reports of poor earnings at Konami. Konami fell by its daily limit of Y500 to Y3,930, while Sega Enterprises plunged Y300 to Y10,100 and Nintendo lost Y180 to Y8,320.

In Osaka, the OSE average lost 93.34 to 22,251.21 in volume of 19.7m shares.

Roundup

Another impressive performance was seen in Pacific Rim markets.

HONG KONG stumbled briefly early in the day rallying to another record finish, with property stocks again at tbe forefront. The Hang Seng index rose 39.51 to 8,292.96, overcoming an early loss of 79.4 points.

Among property stocks, which have soared on analyst reratings this week, Henderson Land rose 40 cents to HK$27.70 and Cheung Kong added 25 cents to HK$30.75.

AUSTRALIA bounced back *after Tuesday's losses, the All* Ordinaries index rising 10.6 to 2,038.6, led hy a bullish gold sector. The gold marker jumped 61.8 to 2,154.3.

NEW ZEALAND remained at a 46-month high, and the NZSE-40 index ended 1.34 higher at 2,041.12.

TAIWAN moved sharply higher after a wave of late buying in finance issues, encouraged by continued hopes for a cut in the stock transaction tax. The weighted index rose 52.26 or 1.3 per cent to 3,994.51 in active turnover of T$25.48bn.

MANILA finished at a third consecutive record high, with the Manila index 18.20 higher at 2,112.03.

SINGAPORE posted a third consecutive high reflecting a rally in local blue chips as well as in Malaysian semi-blue chips traded over the counter. Tbe Straits Times Industrial index rose 2.41 at 2,053.88.

SEOUL moved ahead for the third straight day, in a buying spree which took the composite index ended 16.82 ahead at 740.39.

KUALA LUMPUR regained *its composure after a shaky* start, fuelled by foreign fund interest in hlue-chips. The composite index finished at a sixth consecutive high, up 5.67 at 911.38.

BANGKOK advanced 3.53 per cent aftsr Tuesday's decline, amid strong demand for bank stocks and the SET index rose 38.94 to 1,140.90, only 2.88 points off its all-time closing higb of 1,143.78 points set on July 25, 1990.

FT-ACTUARIES WORLD INDICES

Jointly compiled by Tha Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 12 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 11 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	151.76	-0.4	146.87	101.64	125.93	152.57	-0.5	3.39	152.33	147.51	102.31	127.03	153.34	152.33	117.39	122.97
Austria (17)	182.28	+0.9	176.40	122.08	151.25	151.02	+0.3	1.04	180.72	175.01	121.38	150.71	150.63	182.28	151.16	152.08
Belgium (42)	154.11	+0.6	149.14	103.20	127.87	132.07	+0.2	4.36	153.15	148.30	102.85	127.71	151.81	156.79	131.19	140.95
Canada (107)	126.06	+1.0	121.99	84.42	104.59	121.49	+1.1	2.79	124.77	120.82	83.79	104.04	120.18	130.38	111.41	115.97
Denmark (32)	239.12	+1.0	231.40	160.15	198.41	210.01	+0.4	1.08	236.78	229.30	159.03	197.46	209.25	239.12	185.11	197.74
Finland (23)	118.73	-0.8	114.90	79.52	98.52	141.67	-1.2	0.73	119.51	115.73	80.27	99.66	143.46	118.51	65.50	56.11
France (97)	171.61	+0.0	166.07	114.92	142.38	150.88	-0.5	3.06	171.81	166.19	115.25	143.10	151.69	173.05	142.72	150.31
Germany (60)	136.18	+0.0	131.74	91.15	112.95	112.95	-0.5	1.87	136.07	131.76	91.40	113.46	113.46	136.13	101.59	109.47
Hong Kong (55)	327.65	+0.6	317.08	219.43	271.88	324.96	+0.6	3.19	325.74	315.44	218.77	271.65	323.04	327.65	218.82	239.24
Ireland (14)	174.50	+0.6	168.87	116.87	144.79	167.61	+0.2	3.35	173.53	168.05	118.55	144.71	197.25	174.50	129.28	185.29
Italy (70)	71.68	-0.4	69.37	48.00	59.47	84.26	-1.3	1.92	72.00	69.72	48.35	60.04	85.38	78.93	53.78	53.70
Japan (469)	155.29	+0.1	150.28	104.00	128.87	104.00	-0.2	0.79	155.11	150.20	104.17	129.36	104.17	165.91	100.75	108.75
Malaysia (69)	449.19	-0.4	434.70	300.82	372.71	439.85	-0.3	1.58	450.92	436.97	302.84	376.02	441.37	450.92	251.66	250.67
Mexico (19)	1724.18	+2.2	1668.57	1154.73	1430.65	5869.33	+2.2	0.84	1686.79	1633.45	1132.89	1406.64	5741.15	1771.56	1410.30	1307.79
Netherland (24)	193.33	+0.6	197.10	129.48	160.42	158.39	+0.1	3.46	192.09	186.02	129.01	160.15	158.25	193.33	150.39	161.99
New Zealand (13)	63.54	+1.9	61.49	42.56	52.73	81.11	+2.0	3.63	62.38	60.40	41.90	52.02	59.93	63.54	40.56	40.06
Norway (23)	160.46	-0.3	174.64	120.86	149.74	171.15	-0.8	1.49	181.01	175.29	121.57	150.95	172.53	181.25	137.71	138.78
Singapore (38)	318.40	+1.7	308.13	213.24	264.19	228.48	+1.5	1.47	313.01	303.12	210.23	261.02	228.11	318.40	207.04	184.16
South Africa (60)	213.74	-0.4	206.85	143.14	177.35	195.74	-0.1	2.68	214.60	207.82	144.13	178.96	195.95	215.29	144.72	150.30
Spain (42)	142.51	+0.7	138.20	95.64	118.49	140.32	+0.0	4.07	141.88	137.38	95.29	118.31	140.32	142.81	115.23	112.31
Sweden (36)	201.71	+1.1	195.20	135.09	167.37	238.34	+0.8	1.43	199.44	193.13	133.95	166.32	235.02	201.71	149.70	155.58
Switzerland (50)	146.56	+0.8	141.84	98.18	121.63	127.25	+0.1	1.71	145.64	141.04	97.92	121.47	127.13	146.56	108.91	115.77
United Kingdom (218)	192.57	-0.2	186.36	128.96	159.77	186.36	-0.3	3.84	192.97	186.87	129.59	160.91	186.87	193.97	162.00	175.43
USA (519)	188.39	+0.0	182.31	126.17	156.32	188.39	+0.0	2.73	188.29	182.34	126.47	157.03	188.29	189.40	175.38	167.27
Europe (748)	162.79	+0.1	157.54	109.03	135.08	150.02	-0.3	3.01	162.64	167.49	109.23	135.63	150.43	162.97	133.92	139.08
Nordic (114)	190.09	+0.8	183.96	127.31	157.73	193.02	+0.2	1.27	188.61	182.65	126.68	157.29	192.64	190.09	142.13	145.03
Pacific Basin (713)	161.42	+0.1	156.22	108.11	133.95	112.57	-0.1	1.06	181.20	156.10	108.27	134.43	112.70	168.90	105.89	113.14
Euro-Pacific (1461)	161.88	+0.1	156.66	108.41	134.31	127.74	-0.2	1.87	181.68	156.57	108.58	134.82	127.97	162.86	117.26	123.63
North America (626)	184.51	+0.1	179.56	123.59	153.13	183.63	+0.1	2.73	164.35	178.52	123.83	153.76	183.66	185.59	171.51	163.96
Europe Ex. UK (530)	143.56	+0.3	138.93	96.18	119.14	128.76	-0.3	2.47	143.14	138.62	96.18	119.40	129.11	143.58	112.51	117.36
Pacific Ex. Japan (244)	221.35	+0.3	214.21	148.27	183.69	204.95	+0.2	2.83	220.74	213.76	148.27	184.09	204.48	221.35	152.70	156.21
World Ex. US (1647)	162.18	+0.2	156.95	108.62	134.57	129.75	-0.1	1.89	161.93	156.81	108.79	135.04	129.91	162.89	118.51	124.27
World Ex. UK (1948)	167.70	+0.2	162.29	112.32	139.17	144.17	+0.0	2.02	167.45	162.15	112.47	139.65	144.22	168.50	134.22	134.26
World Ex. So. Af. (2106)	169.70	+0.1	164.23	113.66	140.82	147.53	-0.1	2.20	169.49	164.13	113.85	141.36	147.62	170.43	137.29	137.85
World Ex. Japan (1697)	179.60	+0.1	173.80	120.29	149.04	172.99	+0.0	2.81	179.39	173.71	120.49	148.62	173.01	179.60	157.47	154.52
The World Index (2166)	169.89	+0.1	164.41	113.79	140.98	147.87	-0.1	2.20	169.69	164.33	113.97	141.52	148.06	170.42	137.32	137.83

Latest prices were unavailable for this edition. Spanish market closed October 12.